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THE GREAT OIL OCTOPUS



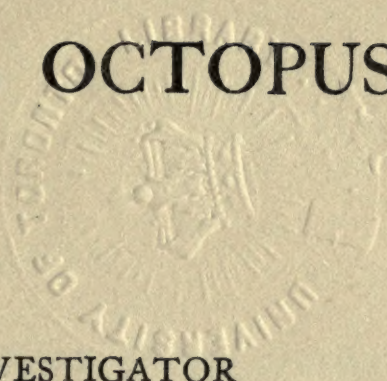


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THE GREAT OIL OCTOPUS

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THE GREAT OIL OCTOPUS



BY
"TRUTH'S" INVESTIGATOR

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LONDON: ADELPHI TERRACE
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1911



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PREFACE

THE appearance in *Truth* of the articles which form the greater portion of this volume has been followed by a wish expressed in many quarters that they might be republished in a more permanent and convenient form. The suggestion has been adopted. The articles have been carefully revised, some additional matter has been inserted, and it is hoped that they will form a useful contribution to contemporary social and commercial history. The late Mr. Henry D. Lloyd and Miss Ida M. Tarbell have each published exhaustive investigations of the Standard Oil Trust's proceedings in the United States, and further information is available in the records of the Missouri litigation, and—in regard to the flash-point scandal—in British Blue-books. Hitherto, however, there has been lacking a complete conspectus of all the many branches of this worldwide subject. One or other tentacle of the Octopus has been described in detail, but in this volume an attempt is made

Preface

for the first time briefly to describe them all. It has been necessary to exclude any reference to many other commercial enterprises—such as “Amalgamated Coppers”—in which the heads of the Oil Trust individually figure in order to concentrate attention on that combination in the oil trade which first brought them together, which set the example to so many imitators in America and Europe, and exhibits most clearly their business methods and morals in two hemispheres.

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THE MEN AND THE MONOPOLY

"The oil business belongs to us."

JOHN D. ROCKEFELLER *to an independent refiner.*

THE GREAT OIL OCTOPUS

CHAPTER I

THE MEN AND THE MONOPOLY

THERE has lately arisen at Queen Anne's Gate, on the site of a fine Victorian mansion demolished to make room for it, a gigantic palace, steel-framed in the up-to-date style, clad in Portland stone, towering seven stories high above the neighbouring buildings, looking down upon Buckingham Palace on the one side of the park, and standing on pretty nearly equal terms with the Government Offices and the Houses of Parliament on the other. I was interested to learn that it has been erected for the accommodation of the Anglo-American Oil Company, which is the English branch of the famous Standard Oil Trust of the United States. There were even people who suggested that in view of the action of the

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United States Government against the Standard Oil Trust, still pending in the American Courts, and the influence of Mr. Roosevelt with his "trust-busting" aspirations, it may possibly be in contemplation to transfer the headquarters of the petroleum empire from the present offices of the Standard Oil Trust in Broadway, New York, to Queen Anne's Gate, Westminster. As Constantine transferred the capital of the Cæsars from Rome to Byzantium, so these seers picture Mr. John D. Rockefeller removing his seat of government eastward from New York to London.

Time alone can test the value of this prophecy. Sufficient unto the day is the evil thereof. The new Aladdin's Palace that has sprung up in Birdcage Walk is an eloquent manifestation of the growing wealth and influence of the Great Oil Octopus in this country. That is a cogent reason why the public throughout the United Kingdom should understand without loss of time what this Trust is, and what reason there is for men to be afraid of it. Echoes reach us of the iniquities charged against Mr. Rockefeller and his colleagues in America, they circulate vaguely about the country but make little impression. On the other hand, strenuous efforts to convey a contrary impression have been made with considerable skill. The Trust

The Indictment

includes in its scientific organisation an efficient Press department, and fights with the pen as well as with other weapons. I have therefore made it my business to undertake an exhaustive investigation of the history of the Trust and its operations, not in America alone, but in Europe and Asia. There is no great secret about the subject. But the materials are scattered and difficult of access. A good deal of new light has been thrown upon the history of the concern and its ramifications in the United Kingdom and other countries in the course of the great action of the United States Government against the Trust in the State of Missouri, referred to a moment ago. In the Standard Oil Trust we have exhibited the highest perfection yet achieved by a ring of capitalists in the art of exploiting a great industry. The machinery that has been created for this purpose is a masterpiece of human ingenuity. The methods by which it has been employed seem to express the last word in craft, subtlety, and unscrupulousness, as employed for the purpose of amassing wealth. The Trust is consequently quite a fascinating subject for inquiry and reflection, apart from the direct interest which we every one of us have in its operations.

The indictment against the Standard, put

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briefly, is that its founder, Mr. John D. Rockefeller, organised in 1870 a combination of American oil refiners, who then controlled less than 10 per cent. of the refining business, and that he secured from the United States railroads secret rebates on the carriage of their oil, and even larger rebates on oil carried for their competitors. The result was that it became the interest of the railroads to discourage the shipments of oil by refiners outside the Trust. Armed with this weapon of the secret rebate, the Standard Oil Trust was able to undersell its competitors and to force them to sell out at heavy loss. In ten years it had obtained by those methods the control of 90 per cent. of the American oil refining business, and being almost the sole buyer, it was able to dictate prices to the oil producers at the wells. It has since maintained its monopoly by elaborate espionage of its competitors' business, by running ostensibly "independent" oil companies to take advantage of the anti-Trust feeling, and by obtaining up to the present day unfair railway discriminations in place of the secret rebate. It maintains an expensive staff of lobbyists at the Legislative Chambers of many lands, and it has constantly adopted the methods of bribery (direct and indirect) in dealing with politicians and publicists. It

The Dramatis Personæ

has always aimed, not at fair business competition, but at absolute monopoly.

The principal figures in this great combination deserve a passing word of introduction. There is first its founder, its creator, Mr. John D. Rockefeller, who was born on a farm in New York State in 1839. His father, who was of Scottish extraction, moved to Ohio, and in 1855 John Davison Rockefeller went into the town of Cleveland to earn his living as a junior clerk at four dollars a week. He was clever, industrious, steady and frugal, and he went into the produce commission business with a young Englishman named M. B. Clark. In 1862 he met another Englishman, Samuel Andrews, who was a mechanical genius, and had devised improved processes in the infant oil-refining industry. They joined forces; Andrews looked after the refining and Rockefeller attended to the pushing of the business, the buying and selling. The firm grew and extended at first by legitimate, and then by illegitimate, methods, and now Mr. Rockefeller has convinced himself in his retirement that he has been the agent of Providence, and that his business career entitles him to moralise to Sunday schools and Bible classes. "I hope you young men are all careful. I believe it is a religious duty to get all the money you

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can; get it fairly, religiously, and honestly—and give away all you can.” So spoke Mr. Rockefeller to his son’s Bible class in New York on March 27, 1897, and it gives a complete picture of his life. The combination of Jekyll and Hyde is well brought out in Miss Ida M. Tarbell’s “History of the Standard Oil Company,” the ablest investigation ever made of the American activities of this combination. Miss Tarbell says:—

Mr. Rockefeller was “good.” There was no more faithful Baptist in Cleveland than he. Every enterprise of that Church he had supported liberally from his youth. He gave to its poor. He visited its sick. He was simple and frugal in his habits. He never went to the theatre, never drank wine. He gave much time to the training of his children, seeking to develop in them his own habits of economy and charity. Yet he was willing to strain every nerve to obtain for himself special and unjust privileges from the railroads which were bound to ruin every man in the oil business not sharing them with him. Religious emotion and sentiments of charity, propriety, and self-denial seem to have taken the place in him of notions of justice and regard for the rights of others.

In a character sketch of Mr. Rockefeller which she contributed to *McClure’s Magazine* in January, 1905, Miss Tarbell tells this story:—

Even in his own Church men say, “He’s a good Baptist, but look out how you trade with him.” “I have been in business with John D. Rockefeller for thirty-five years,” one

The Iron Man

of the ablest and richest and earliest of Mr. Rockefeller's colleagues once told me in a moment of forgetfulness, "and he would do me out of a dollar to-day; that is," he added, with a sudden reversion to the school of cant in which he had been trained—"that is, if he could do it honestly."

In this picture Mr. Wm. Rockefeller hardly counts. The next figure in the gallery of oils is that of the late Mr. Henry H. Rogers, who died a few months ago—the "Iron Man" of the Standard directorate. Writing in Chapter III. of "Frenzied Finance" in *Everybody's Magazine* for August, 1904, Mr. T. W. Lawson, who knew him well, thus described Mr. Rogers:—

Whenever the bricks, cabbages, or aged eggs were being presented to "Standard Oil," always was Henry H. Rogers's towering form and defiant eye in the foreground where they flew thickest. Whenever Labour howled its anathemas at "Standard Oil" and the Rockefellers and other stout-hearted generals and captains of this band of merry moneymakers would begin to discuss conciliation and retreat, it was always Henry H. Rogers who fired at his associates his now famous panacea for all opposition, "We'll see Standard Oil in hell before we will allow any body of men on earth to dictate how we shall conduct our business."

In another passage in "Frenzied Finance" Mr. Lawson wrote of him:—

Rogers is a marvellously able man, and one of the best fellows living. He is considerate, kindly, generous, helpful,

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and everything a man should be to his friends. But when it comes to business—his kind of business—when he turns away from his better self and goes aboard his private brig and hoists the Jolly Roger, God help you! . . . He is a relentless, ravenous creature, as pitiless as a shark, knowing no law of God or man in the execution of his purpose.

Now that Mr. Rogers is dead, the active figure in the Trust is Mr. John Dustin Archbold, who was originally a bitter opponent of the Standard and its rebates. Since he joined its circle Mr. Archbold has figured in two sensational episodes. He was one of the defendants in the charge of conspiring to blow up a rival refinery at Buffalo, and escaped through the judge withdrawing his case from the jury. He was the writer of the famous letters to politicians which Mr. Randolph Hearst disclosed in the Presidential campaign of 1908.

Of the rest of these men it is necessary to say less. They were very diverse in their character. One of them, Henry M. Flagler, was the pioneer of the vast hotels which line the Florida coast and make it a winter resort for rich Americans. William T. Wardwell, the treasurer of the Standard Oil Company, was an ardent teetotaler, and more than once ran as Prohibitionist candidate for the Presidency before his connection with Standard Oil was so notorious. Many of them were Scotch Presbyterians, but

The Tentacles of the Octopus

the late Mr. Daniel O'Day, the man who faced fierce obloquy as the manager of the Standard's pipe-line monopoly, was an Irish Catholic, who died a year or two ago, leaving several millions behind him. The younger generation is growing old now, and sons of both John and William Rockefeller have entered the business, carrying on the traditions of the greatest combine on earth.

We will now proceed to trace the ramifications of the vast organisation which these men have built up and control all over the world. The full list of the subsidiary companies is so long that it is impossible and unnecessary to print all the names. But a selection of them will indicate the vastness and variety of the Rockefeller interests. They are taken from the Report of the United States Government Commissioner of Corporations on the Petroleum Industry (Part I., Table 8, p. 84), supplemented by one or two other unimpeachable sources of information. The central company of this joint-stock octopus is now the Standard Oil Company of New Jersey, which holds large blocks of stock in the other companies. It has a capital of \$100,000,000 of common stock and \$10,000,000 of preferred stock. Among its directors are John D. Rockefeller, William Rockefeller, Henry M. Flagler, John Dustin Archbold,

The Great Oil Octopus

Wesley H. Tilford, Frank Q. Barstow, Charles M. Pratt, Edward T. Bedford, Walter Jennings, James A. Moffet, C. W. Harkness, John D. Rockefeller, jun., Oliver H. Payne, and A. C. Bedford. This Company controls nine companies which are principally engaged in refining oils :—

			Capital. Dols.
Atlantic Refining Company, Pennsylvania...	...	...	5,000,000
Solar Refining Company, Ohio	...	...	500,000
Standard Oil Company of California	...	...	25,000,000
Standard Oil Company of Kansas	...	...	1,000,000
Standard Oil Company of Indiana	...	...	1,000,000
Standard Oil Company of New York	...	...	15,000,000
Security Oil Company, Texas	...	...	3,000,000
Standard Oil Company of Ohio	...	...	3,500,000
Corsicana Refining Company	...	...	... partnership

Then comes a group of lubricating oil companies :—

				Dols.
Vacuum Oil Company, N.Y. ...	...	...	...	2,500,000
Borne, Scrymser & Co., N.J. ...	...	...	...	200,000
Chesebrough Manufacturing Company, N.Y.	...	...	...	500,000
Galena Signal Oil Company, Penn....	...	...	...	10,000,000
Swan and Finch Company, N.Y.	...	...	...	1,000,000

It will surprise many readers on this side to find in this list the name of the Chesebrough Company, which lights the London sky with the magic word "Vaseline," but for years that article has paid its tribute to the Standard Oil Trust. This story was told by Mr. John D.

Vaseline

Archbold in evidence in the proceedings by the United States Government against the Trust in the State of Missouri, where much evidence, to which we shall hereafter have to refer, was taken. Mr. Archbold then stated that the Standard Oil Trust acquired 2,549 shares in the Chesebrough Manufacturing Company, which was a little more than a majority of the stock. Mr. Chesebrough and the other minority stockholders continued to carry on the business in the old name until the present day. Vaseline, of course, is a product of petroleum. With regard to the Galena Signal Oil Company, which manufactures railway lubricating and signal oils, it is stated by the United States Commissioner of Corporations in his Report (Part II. p. x.) that American Railway officials are compelled to purchase the Galena products at higher prices than their competitors ask, because of the influence of the Standard Oil interests as large consignors, or their power in financial circles, exerted on the railway boards. The Vacuum Oil Company, which also appears in this list, became a Standard corporation as long ago as 1879, and it was the company concerned in the sensational prosecution of several Standard Oil men at Buffalo for the alleged conspiracy to blow up a rival refinery. Its speciality is the compounding of lubricating oils.

The Great Oil Octopus

The list of companies next includes three crude oil-producing companies and thirteen pipe line companies. Next comes the Union Tank Line Company, of New Jersey, capital \$3,500,000, which owns and operates railway tank cars. Sixteen natural gas companies follow, and then six American marketing companies, of which the Waters-Pierce Oil Company, of Missouri, has had, perhaps, the most remarkable modern history. Next we come to the following foreign marketing companies, the first two of which are duly recorded in the files at Somerset House :—

	Capital.
Anglo-American Oil Company (London) ...	£1,000,000
Vacuum Oil Company, Ltd. (London) ...	£55,000
American Petroleum Company (Holland) ...	Fl.7,850,000
Amerikanische Petroleum Company (Germany)	M.200,000
Deutsche-Amerikanische Company (Germany)	M.30,000,000
Danish Petroleum Company	Not stated
Konigsberger-Handels Company (Germany)...	M.2,300,000
Mannheim-Bremen Company (Germany) ...	M.3,000,000
Korff Refinery Company (Bremen)	M.1,500,000
Stettin-Amerikanische Company (Germany)...	Not stated
Roumanian-American Petroleum Company ...	Lei.12,500,000
Société ci-devant H. Reith et Cie. (Belgium)...	Fr. 1,650,000
Italian American Petroleum Company ...	Not stated
Vacuum Oil Company (Austria)	Kr.10,000,000
International Oil Company (Japan)	Yen.12,000,000
Imperial Oil Company (Canada)	Not stated
Colonial Oil Company (Africa and Australasia)	\$250,000

But even this long list does not complete the

Foreign Marketing Companies

companies in this combination. It does not include many businesses which have been bought by the Standard and are now run as parts of one or other of the companies given. For example, the Devoe Manufacturing Company, which manufactures all the tin cases in which oil and petrol are shipped, is now absorbed in the Standard Oil Company of New York. Then there is the Oswego Manufacturing Company, manufacturers of wood packing-cases and barrels; the American Wick Manufacturing Company, which made lamp wicks; and Thompson, Bedford & Co., who had a large European trade in lubricating oils before their absorption. In addition, there should be added a number of Vacuum Oil companies which have been established abroad, in Copenhagen, Genoa, Paris, Hamburg, Moscow, Stockholm, Bombay, Kobe, and Cape Town.

THE SECRET REBATE

"Mr. Rockefeller is the victim of a money-passion which blinds him to every other consideration in life, which is stronger than his sense of justice, his humanity, his affections, his joy in life, which is the one tyrannous insatiable force of his being."

IDA M. TARBELL in "*McClure's Magazine*."

CHAPTER II

THE SECRET REBATE

HOW has this vast combination been built up? There are those who will tell you that it has been accomplished because John D. Rockefeller was thrifty; there are others who are persuaded by the Standard's Press Bureau to believe that it is due to the Standard's economies in production and improvements in transport. Neither of these agreeable theories can explain the mystery, because most of these improvements were invented and first adopted by others, and Mr. Rockefeller's savings would not have enabled him to get control of 80 per cent. of the American oil refining business in ten years. The truth is that the secret rebate trick is the foundation of this great monopoly, and this it is now proposed to prove from official sources.

The introduction of the secret railway rebate or discrimination may or may not have been

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due to Mr. John D. Rockefeller's inventive genius—it is not absolutely proved to have been so—but the Report of the United States Government Commissioner of Corporations (Mr. J. R. Garfield) on the Transport of Petroleum, dated May 2, 1906, shows that at any rate the Standard Oil Company made the practice so much its own that it may fairly be regarded as its special system. On page 1 of the report this is made perfectly clear:—

The general result of the investigation has been to disclose the existence of numerous and flagrant discriminations by the railroads in behalf of the Standard Oil Company and its affiliated corporations. With comparatively few exceptions, mainly of other large concerns in California, the Standard has been the sole beneficiary of such discriminations. In almost every section of the country that Company has been found to enjoy some unfair advantages over its competitors, and some of these discriminations affect enormous areas.

Not only has this resulted in great direct pecuniary advantage in transportation cost to the Standard, but it has had the far more important effect of *giving that Company practically unassailable monopolistic control of the oil market* throughout large sections of the country.

Of course, it was just as iniquitous for an American railroad company, with its Government charter, to discriminate in favour of a large customer as it would be for an English one, or for a Government Department, say the Post Office, to sell stamps to a favoured few

The Railroads Conspirators

under their face value. The very secrecy with which the discrimination was invariably surrounded both by the railroads that granted it and the consignors who received it proves clearly that its illegality and injustice were recognised on both sides. It was only gradually that the matter of these secret rebates leaked out, about a couple of years before Mr. Rockefeller consolidated all his refining interests into the Standard Oil Company, of Cleveland, Ohio, where much of the oil-refining business was then carried on. This was in June, 1870. The capital of the new concern was \$1,000,000, the parties interested in it at that date being John D. Rockefeller, Henry M. Flagler, Samuel Andrews, Stephen V. Harkness, and William Rockefeller. Before this time Rockefeller's striking success, which was at first attributed mainly to his extraordinary capacity for bargaining and borrowing, had not only attracted the attention of other Cleveland refiners, but raised their suspicion. They argued that they bought crude oil pretty nearly as cheaply as he, refined it as economically, and sold it at the same price. Yet they could not make money at anything like the same rate. There was only one explanation of it; he must be getting cheaper rates of transport from the railroads.

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The matter was tested, and found to be so. Mr. Alexander, of the well-known refining firm of Alexander, Scofield & Co., Cleveland, stated on oath before the Committee of Commerce of the United States House of Representatives in April, 1872, that in 1868 or 1869 he went to the Erie Railroad management and said: "You are giving others better rates than you are us. We cannot compete if you do that." The railroad agent, Mr. Alexander further testified, did not attempt to deny the allegation, but simply agreed to give Mr. Alexander a rebate also. This was 15 cents ($7\frac{1}{2}$ d.) a barrel on the regular published rate of 40 cents (1s. 8d.) on all oil brought to Cleveland from the wells. A crude oil shipper, W. H. Doane, made a similar complaint, without mentioning names; and the complaint was stopped by a 10 cents (5d.) reduction per barrel. The method of granting these rebates was significant. The full published rate was paid as usual by the shipper, then at the end of each month, on forwarding vouchers for the amount of oil shipped, he received in cash from the railroad company his 15 cents or 10 cents rebate per barrel, as the case might be. This, I take it, was a precaution to conceal the granting of the rebate by keeping documentary evidence on hand that each shipper had duly paid the same fixed rate.

Qui s'Excuse, s'Accuse

Later on, in 1880, General J. H. Devereux, who had granted secret rebates as vice-president of the Lake Shore Railroad in 1868, offered a defence of his conduct by means of an affidavit which he made in the case of the Standard Oil Company *v.* William C. Scofield et al. in the Court of Common Pleas, Cuyahoga County, Ohio, November 13, 1880. This affidavit states that "such rates and arrangements were made by the Pennsylvania Railroad that it was publicly proclaimed in the public print in Oil City, Titusville, and other places, that Cleveland was to be wiped out as a refining centre as with a sponge;" that the Cleveland refiners, some twenty-five in number, expressed their fears to him that they would have to give up their business in Cleveland; but that the Standard Oil Company made him a definite proposal to guarantee the Lake Shore Railroad a consignment of sixty carloads a day in return for a rebate of 10 cents on the 42 cents per barrel rate; and that, as this proposal "offered to the railroad company a larger measure of profit than would or could ensue from any business to be carried under the old arrangements," it was accepted by him. This was a pretty open confession. One might be permitted to think that, as the Lake Shore Railroad's profit and immunity from competition was thus secured,

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it would have been in a position to extend the reduced rate to the other refiners also, and thus carry out its duty as a "common" carrier. But it is obvious that it was the essence of its agreement with the Standard Oil Company to give that firm an advantage over its competitors. The cloven hoof is apparent in the excuse tacked on at the end of the affidavit that "this arrangement was at all times open to any and all parties who would secure or guarantee a like amount of traffic." It was certainly not open in the sense of being published; it was only avowed by the affidavit in 1880, when the unjust discrimination had worked long enough to set the Standard Oil Company definitely ahead of all competition.

It is one of the Standard Oil Company's most usual contentions that it has reduced the price of illuminating oil to the consumer. Any one who takes the trouble to study the matter from the beginning will see that the Company's primary object, on which it concentrated all its early efforts, has always been *to raise the price for the consumer*. By 1870 the general competition among oilmen, together with the vast additional supplies of oil discovered, had brought prices down enormously since the time oil was first struck in 1859. Whereas Mr. Rockefeller had received on an average $58\frac{3}{4}$ cents (2s. $5\frac{1}{2}$ d.) a

How the Consumer Comes In

gallon for the oil he exported in 1865, the year he went into business, in 1870 he received only 26 $\frac{3}{8}$ cents (1s. 1 $\frac{1}{4}$ d.). It was proved beyond doubt by competent testimony during the Missouri suit of the United States *v.* the Standard Oil Company of New Jersey that a wholesale price of 1 cent ($\frac{1}{2}$ d.) a gallon allows an excellent margin of profit for an oil refiner. But in 1870 everybody in the American oil trade simply despised an "honest livelihood." They were "out for the dollars," to use Mr. H. H. Rogers's expressive indication of his own intentions before the Industrial Commission in 1899. When Mr. J. J. Vandergrift, one of the Standard Oil directors, was questioned under oath as to what they meant to do, he replied, "Simply to hold up the price of oil—to get all we can for it." And Mr. Rogers declared to the Industrial Commission in 1875 that "oil to yield a fair profit should be sold for 25 cents per gallon!"

Prices being "ruinously low" from the oil-man's point of view, Mr. Rockefeller and his friends came forward with a scheme, in January, 1872, for the purpose of holding them up. They had originated the idea among themselves of the industrial "trust," and the date is consequently a momentous one in the world's commercial history. This, the first of all industrial

The Great Oil Octopus

trusts, was originally floated by taking over the charter of an existing company, the South Improvement Company, a name which had no earthly connection with that company's object, but was an excellent one for Mr. Rockefeller's purpose, as his object had to be strictly concealed in order to be workable. This object, as may be gathered from the text of the contract secretly signed by the Company and the railroads on January 18, 1872, was to destroy the business of all others than itself who engaged at any time in the refining trade. The railroads were to carry the South Improvement Company's products for such lower rates than those of other firms as would inevitably cause the latter to come a financial cropper. The consideration held out to the railroads for this service was an all-round rise in freight rates of about 100 per cent. and the abolition of competition among themselves by fixing the proportion of oil freight each road was to get, or to be paid for whether it got it or not. The discrimination in favour of the South Improvement Company was to be effected by a secret return to it of from 25 to 50 per cent. of *all the money paid to the roads for oil freight either by itself or by any firm or company in the trade*. How this iniquitous idea could ever have been developed, much less acted upon, it is difficult to imagine from a bald

Robbery, not Trading

recital of the facts. But the railroads, I find from evidence before the Hepburn Committee in 1879, either believed, or affected to believe, that the South Improvement Company represented practically the whole oil trade, *was* the oil trade in fact; other firms were, or were to be regarded as, merely unrecognised, unqualified practitioners, who carried on their avocation at their own risk and peril, and whom society could not take into account in making its arrangements.

Whatever the genesis of the idea, there could be no doubt as to its efficacy in disposing of a trade rival when reduced to practice. Suppose a competitor consigns as much freight as yourself, with a 50 per cent. rebate to you and a 50 per cent. drawback paid to you as an involuntary bounty by the competitor, you can regard a 100 per cent. rise in freight rates with equanimity, for it leaves your expenditure under this head exactly what it was before, to say nothing of the bounty, while your competitor pays exactly twice as much as he used to do. While in this position he can be reduced to a state of hopeless impotence by price-cutting, which can be effected at relatively small expense. On the supposition that the competitor's consignments bulk larger than yours, the bounty received from them becomes larger, till a point is arrived at when

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your own shipments cost you nothing at all, and you are in the enviable position not only of carrying on business without working expenses, but of being paid handsomely by your rivals for doing so. Something like this *reductio ad absurdum* in trading must have been actually approached in the case now under consideration, for as a matter of fact the South Improvement Company did not control one-tenth of the refining business of the United States when its contract was signed by and with the railroads on January 18, 1872. Mr. W. G. Warden, of Philadelphia, secretary of the South Improvement Company, admitted to the Congressional Investigating-Committee which sat in March and April following that the aggregate refining business of the United States amounted to from 45,000 to 50,000 barrels daily capacity, while the stockholders of the South Improvement Company when formed owned a combined capacity of not over 4,600 barrels—less than one-tenth. This they increased, as we shall see, *in three months' time*, to a capacity of one-fifth.

The stockholders in the South Improvement Company held shares as follows:—

Wm. Frew, W. P. Logan, and J. P. Logan, of Philadelphia, 10 shares each; Chas. Lockhart and Richard S. Waring, of Pittsburg, 10 shares each; W. G. Warden, of Philadelphia,

The Sharing of the "Swag"

and O. F. Waring, of Pittsburg, 475 shares each; Peter H. Watson, of Ashtabula, Ohio, 100 shares; H. M. Flagler, O. H. Payne, John D. Rockefeller and Wm. Rockefeller, of Cleveland, and J. A. Bostwick, of New York, 180 shares each; total, 2,000 shares of \$100 dollars each, of which the Standard Oil interests held 900. The contract was signed on behalf of the Company by P. H. Watson, president, and on behalf of the railroads as follows: Pennsylvania, J. Edgar Thompson, president; New York Central, Wm. H. Vanderbilt, vice-president; Erie, Jay Gould, president; Atlantic and Great Western, General Geo. B. McClellan.

How completely the railroads were got to play the game of Mr. Rockefeller and his friends is made still more evident by two other clauses of the contract. The first is Section 8 of Art. 2, by which the railroads contracted to send each day to the South Improvement Company manifests on waybills of all petroleum shipped over the roads, which manifests

shall state the name of the consignor, the place of shipment, the kind and actual quantity of the article shipped, the name of the consignee, and the place of destination, with the rate and gross amount of freight and charges.

This, of course, gave the South Improvement Company a full knowledge of everybody else's business—just what Mr. Rockefeller strove after from beginning to end of his career—and also ensured the due payment of the drawbacks by the roads. The other provision I refer to was

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contained in Art. 4, whereby each railroad was bound to co-operate

as far as it legally might to maintain the business of the South Improvement Company against loss or injury by competition, to the end that it may keep up a remunerative and so a full and regular business, and to that end shall lower or raise the gross rates of transportation over its railroads and connections, as far as it legally may, for such times and to such extent as may be necessary to overcome such competition, the rebates and drawbacks to be varied *pari passu* with the gross rates.

This makes it clear that Art. 3, providing that

rebates hereintofore provided may be made to any other party who shall furnish an equal amount of transportation and who shall possess and use works, means, and facilities for carrying on and promoting the petroleum trade equal to those possessed and used by the South Improvement Company,

is a mere blind. The South Improvement Company was to be maintained at all costs and against all comers by whatever juggling with the rates should become necessary for the purpose.

It was admitted by members of the South Improvement Company, who appeared before the Investigating Committee appointed by Congress in March, 1872, that the discrimination would have turned over to the Company fully \$6,000,000 (£1,200,000) annually on the carrying trade, while the railroads expected to make

Was it Graft ?

about \$1,500,000 (£300,000) more than on the previously existing rates. The Company would thus make four times as good a bargain as the railroads. It is difficult to see how shrewd business men like the railroad directors could be led into a bargain in which they were so obviously bested. Another point the railroad directors had to consider in the interest of their shareholders was this. The avowed object of the South Improvement Company was to restrict the output of refined oil in order to raise its price. The interest of the railroads was obviously that the prices of oil should be kept low, so that the refiners would be compelled to ship the largest possible quantity. The interests of the shippers and of the railroads which received the shipments were thus diametrically opposed. The former wanted smaller consignments at higher prices, and the latter larger consignments at no matter what price. How the railroad officials could be induced to sign a contract binding them to help in the diminution of their own freights it is difficult to see.

Mr. Frank Rockefeller, brother of John D. Rockefeller, testified before a Congressional Committee on July 7, 1876, that it was his impression at the time that the rebates went into a pool and were divided up between the

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Standard Oil Company and the railroad officials. He mentioned four of the latter by name, and two of them instantly sent a denial to the Press. Mr. Frank Rockefeller's evidence—omitting the portion in which he mentions names—is reproduced in the late Mr. George Rice's well-known pamphlet on the Standard Oil Railway Discriminations (p. 25), as follows:—

By the Chairman :

Q. What do you mean by the pool—a pool amongst the railroads or amongst the oil men ?

A. I don't give this as a positive fact, but as I understand the arrangement, the New York Central, the Erie, the Atlantic and Great Western, the Pennsylvania Railroad, the Cleveland, Columbus and Cincinnati, and the Baltimore and Ohio roads have a pool—are combined for the purpose of shipping oil, and oil only—and in this pool the Baltimore and Ohio gets a certain number of barrels to go over its road, the Lake Shore so many to go over its road, and the Pennsylvania Company so many to go over its road, from different points in the country, and on the oil that is shipped over these roads by the pool and the Standard Oil Company there is a rebate or a drawback from the shipment of so much, which is put into this pool, over whichever road the oil may go, and that rebate is divided up between the Standard Oil Company and the railroad officials.

Q. The railroad officials, do you say ?

A. So I understand it. I don't say that of my own knowledge.

Q. Then it does not go to the railroads themselves ?

A. No, sir.

Q. But to the railroad officials ?

A. To the railroad officials.

Was it Graft ?

There the matter was left by the Committee of Congress, and there it must be left perforce. If the allegation is true, it would explain how the railroad directors could be induced to sign such a bad bargain for the railroads, and if false, it can presumably be refuted by an exhibition of the railroad accounts.

**THE RAILROADS AND THE PIPE
LINES**

"A dollar in those days (1871) looked as large as a cart wheel."

JOHN D. ROCKEFELLER in "*Random Reminiscences.*"

CHAPTER III

THE RAILROADS AND THE PIPE LINES

THE contract between the railroads and the South Improvement Company was signed, and armed with this deadly weapon, Mr. Rockefeller went round to all the rival refineries in Cleveland and explained to their respective proprietors, gently but firmly, that they were as good as dead men in the oil trade, and that the only way they could avoid utter ruin was to turn over their refineries to the South Improvement Company either for stock or cash at the latter's valuation. It seems scarcely credible, but it is an historical fact that no less than twenty out of these five-and-twenty Cleveland refiners—who, by the way, were approached one by one and under pledge of secrecy—as soon as they learnt that they were thus morally dead, proceeded at once to order their coffins. That is, they sold up as requested. The Cleveland refiners fell at Mr. Rockefeller's feet through sheer

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fright, and thus in less than three months' time the Standard Oil group absorbed twenty other refineries and increased its capacity from 1,500 barrels a day to 10,000 barrels—from one-tenth to one-fifth the total capacity of the United States.

Of course, the murder was soon out, and the Oil Regions, which were interested in oil wells as distinct from refining, which was the Standard's business, were aflame with indignation. A Petroleum Producers' Union was formed in opposition. Mass meetings were held and Congress was petitioned. The Pennsylvania Legislature repealed the charter of the South Improvement Company, and on March 25th the peccant railroads signed a contract with the Petroleum Producers' Union, of which the first and chief clause provided—

That all arrangements for the transportation of oil after this date shall be upon a basis of perfect equality to all shippers, producers, and refiners, and that no rebates, drawbacks, or other arrangements of any character shall be made or allowed that will give any party the slightest difference in rates or discrimination of any character whatever.

On April 4th General McClellan (Atlantic and Great Western), Horace F. Clark (Lake Shore and Michigan Southern), Thomas A. Scott (Pennsylvania), and W. H. Vanderbilt (New York

Mr. Rockefeller's Indiscretion

Central) all sent emphatic messages to the Petroleum Producers' Union declaring that their roads had no understanding of any nature in regard to freights with the *Standard Oil Company*. On April 8th John D. Rockefeller telegraphed to the Petroleum Producers' Union: "In answer to your telegram, this Company holds no contract with the railroad companies or any of them or with the South Improvement Company." Yet we now know from a contract thoughtlessly exhibited by H. M. Flagler seven years later to a Commission of the Ohio State Legislature—a contract between his Company and the railroads—that a rate had been fixed "From April 1st until the middle of November, 1872, about seven months, \$1.25." Now the corresponding rate openly published and recorded in the contract between the roads and the Petroleum Producers' Union just quoted, which was signed March 25th, was \$1.50. A rebate of 16 $\frac{2}{3}$ per cent.! Mr. Rockefeller had it all the time, in spite of his own assertions and those of the railroad officials to the contrary.

Mr. Rockefeller has committed very few indiscretions in his lifetime, but he did achieve one at this early date in his career. He talked under the smart of his rebuff, and so did others of his colleagues in the late South Improvement Company. He was reported in the *Oil*

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City Derrick to have said to a prominent man of Oil City that the South Improvement Company could work under the charter of the Standard Oil Company, and to have added that in less than two months his auditor would be glad to join him. One of his colleagues simply said: "The business *now* will be done by the Standard Oil Company. . . . We mean to show the world that the South Improvement Company was organised for business, and means business, in spite of opposition." This went the round of the American Press a few days after the repeal of the charter, and since then to the present day the indiscreetly uttered threat has been stealthily fulfilled to the letter. The South Improvement Company was formally dissolved in order to calm the popular indignation, but the same men continued to operate through the Standard Oil Company of Cleveland, and, as we have seen, to receive similar rebates, which enabled them to build up the Standard Oil Trust. On May 3, 1910—to bring the matter well down to date by a concrete instance—the United States Court of Appeal confirmed a decree of the Circuit Court of the Western District of New York State fining the Standard Oil Company \$20,000 (£4,000) "for accepting concessions from the published rate of the Pennsylvania, New York Central, and Rutland

The "Terminal Facilities" Weapon

Railroads in violation of Inter-State Commercial Law." But the fine, of course, is an ineffective flea-bite, and is only worth quoting to show that the iniquitous conspiracy of injustice and robbery entered into by the railroads and the Standard Oil Trust in 1872 still continues to baffle justice in America and to outrage the moral sense of the civilised world.

A noteworthy development of the conspiracy between the Standard Oil Company and the railroads was what became known as Standard control of the railroad "terminal facilities." By terminal facilities is understood the unloading, storing, and handling of oil at the railroad termini, chiefly in the vicinity of New York harbour. The railroads handed over the entire control and management of their oil yards and wharves to this one favoured oil company, authorising it to collect the oil-yard charges from its rivals, and to handle its rivals' oil consignments according to its own goodwill and pleasure. Fancy one of our British railway companies putting all its railway sidings in London under the control of a single firm of Newcastle coal merchants, and allowing this firm to load or unload, forward or delay the consignment of rival firms according to its own convenience or good pleasure! Fancy the

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outcry that would be raised against this privileged firm when it became known that the only check upon its dealing unjustly with its rivals was that, whatever charges it elected to make for loading, unloading, and storage at the railway company's sidings, such charges were to be uniform in all cases! This last proviso was a mere mockery. The only authority appointed to see that no advantage was given to one competitor over another was the arch-competitor—the Standard Oil Company. The companies entering into this special conspiracy were the Erie, the New York Central and Hudson River, the Baltimore and Ohio, and the Pennsylvania railroads at the Atlantic seaboard. I have before me as I write copies of the contracts made by all these railroads, excepting the Pennsylvania, with the Standard Oil Company, and they make astounding reading.

This matter of the “terminal facilities” very naturally received attention in the United States Government prosecution of the Standard Oil Company of New Jersey, in the State of Missouri, when the Court found that the Company was identical with the Standard Oil Trust, which had previously been ordered by the Court to be dissolved as an illegal conspiracy in restraint of trade. The effect of

Something Best Forgotten

the decision has been suspended by an appeal to the Supreme Court of the United States, which would have been decided last spring had it not been for the death of Judge Brewer, the presiding judge. The appeal is expected to be decided under his tardily appointed successor, Judge Hughes, this spring or early summer. In the meantime, the finding of the Missouri Circuit Court, before which the case was argued, is that of "Guilty." When Mr. Rockefeller had, with the greatest difficulty, been haled before this court and asked to explain these contracts on oath, all he could urge in his favour was that "the Standard interests were handling very large quantities of oil, and were the *natural parties* to have control of the warehousing, receiving, and shipping of oil." Cross-examination could extract very little from him. He could not even say when the Standard Oil interests got possession of the terminals nor how long they retained them. He admitted that the Standard levied terminal charges on the oil of independents, but did not know the amount. He relapsed, in short, into that painfully afflicting condition of amnesia which seems to be constitutional with Standard Oil officials when subjected to the rude shock of public examination.

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But, luckily, the written letter of the contracts is now to hand to supplement this lamentable want of memory. Take, for instance, that with the Erie Company dated April 17, 1874, in Section 7 of which the Standard agrees to pay 5 cents a barrel to the Erie Railroad for the use of its yards, and further agrees "to make the charges uniform to all parties who use the yards or for whom services are performed therein, and always as low as any other oil yard, affording proper facilities for the transfer, storage, preparation, and shipment of the oil at any terminus of any railway or other line competing with the Erie Railway at or adjacent to the port of New York." There is something like humour in the phrase "as low as any other oil yard." Every "other oil yard" was similarly controlled by the Standard. One of its directors, Mr. Jabez A. Bostwick, stated on oath before the Hepburn Committee on October 16, 1879, that the Standard at that time controlled the terminals of the Erie and the New York Central railroads, and that the New York Central had no other oil terminals at New York Harbour except those controlled by the Standard. At the time he was testifying he had charge of the New York Central yards, and declined to answer as to his relation

The Claim to Superiority

with the Standard Oil Company in that connection. The usual atmosphere of mystery! It is dissipated, however, at the present date, for we have now the text of the contract between the New York Central and the Standard before us, signed January 1, 1876, and referring to a previous contract of July 22, 1875.

One more point and I have done with the "terminal facilities." Section 8 of the Erie contract provides that the Standard Oil Company shall assume the collection of freights and charges on all oil received at the yard and render accounts weekly. "This provision," observes the "Brief for the United States," given to the Attorney-General in the Missouri case, "gave the Standard Company the power to collect the Erie's freight charges for transportation of competitors' oil, thereby giving the Standard the great advantage of knowledge of all competitive shipments and of the rates of freight, and enabling it to compel those parties to pay the full rate, while the Standard could obtain any rate it might arrange for with the railroad companies, and it will be shown that the Standard had rebates from all of them." In the light of all this, what becomes of the Standard Oil claim to superior business acumen and cleverness?

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Under the conditions shown, a mere schoolboy could outstrip and ruin the most seasoned merchant in the race for commercial success. The claim to superior business methods is an absolutely unfounded one, and might as well be urged by a burglar who can make a fortune in a night ; but, then, his avocation is not usually referred to as "business."

By this time the pumping of crude oil from the wells through pipe lines had commenced, first for short distances to collecting points on the railroads, but later for long distances, largely superseding the railroads. The Standard's pipe lines, called the United Pipe Lines, were under the management of the late Mr. Daniel O'Day, the big Irishman mentioned in the first chapter. At first the railroads and Standard pipe lines worked together to harass and delay the "independent" shipper and refiner. Here is evidence of how the Standard Oil Company's secret agreements with the railroads made it the interest of the latter to decrease the shipments of independent oil by refusing to furnish adequate cars and by delaying delivery. In 1878 Mr. W. H. Nicholson, the representative of Mr. Ohlen, a New York shipper of petroleum, appeared before an investigation ordered by the Secretary of Internal Affairs of the State of

Railroads Boycott Standard Rivals

Pennsylvania and gave evidence upon oath that he began to have a difficulty in getting cars in May of that year. One day, he stated, Mr. Ohlen telegraphed to the officials of the Erie road to know if he could get 100 cars to run east. The reply came back, "Yes." About noon Mr. Nicholson saw Mr. O'Day, the manager of the United Pipe Lines (Standard Oil property), in which his oil was stored, and told him he was waiting to have his cars loaded. Mr. O'Day at once said he could not load the cars. "But I have an order from the Erie officials giving me the cars," Mr. Nicholson objected. "That makes no difference," O'Day replied; "I cannot load cars except upon an order from Pratt." Nor would he do it. The cars were not loaded for Mr. Nicholson, though at the time he had 10,000 barrels of oil in the United Pipe Lines and an order for 100 cars from the officials of the Erie in his hand. "Pratt," of course, was the late Mr. Charles Pratt, whose refinery was at this time merged in the Standard combine, and whose name is memorialised in this country by the well-known "Pratt's motor spirit."

High-handed proceedings of this sort by the Pennsylvania Railroad gradually created such a hubbub that the State of Pennsylvania instituted a suit against it. This is the evidence given by

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Mr. B. B. Campbell, President of the Producers' Union, on the occasion :—

I never heard of a scarcity of cars until the early part of June, 1878. I came to Parker (a town in Pennsylvania) about five o'clock in the evening, and found the citizens in a state of terrible excitement. The Pipe Lines would not run oil unless it was sold; the only shippers we had in Parker of any account, viz., the agents of the Standard Oil Company, would not buy oil, stating that they could not get cars; hundreds of wells were stopped to their great injury; thousands more, whose owners were afraid to stop them for fear of damage by salt water, were pumping the oil on the ground. . . . On Saturday morning I spoke very plainly to Mr. Shinn (Vice-President of the Allegheny Valley Railroad Company, controlled by the Pennsylvania), telling him that the idea of a scarcity of cars on daily shipments of less than 30,000 barrels a day was such an absurd, barefaced pretence that he could not expect men of ordinary intelligence to accept it, as the preceding fall (*anglice*, autumn), when business required, the railroads could carry day after day from 50,000 to 60,000 barrels of oil. . . . I requested him to be the vehicle of communicating to the Pennsylvania Railroad officials my views on the subject, telling him that I was convinced that, unless immediate relief was furnished and cars afforded, there would be an outbreak in the Oil Regions. . . . On the next Monday I returned to Parker. After passing Redbank, where the low-grade road, the connecting-link between the Valley Road and the Philadelphia and Erie Road, meets the Valley Road—between that point and Parker—the express train was delayed for over half an hour in passing through *hundreds of empty oil cars!*”

In August, 1872, Mr. Rockefeller, as the result of much plotting and planning, succeeded in persuading about four-fifths of the refining interest in the United States to go into a

The Refiners' Association

National Refiners' Association, with himself as president, the object being to checkmate the Petroleum Producers' Union, which had just exposed the South Improvement Company. This refiners' association was to operate on what was known as the "Pittsburg Plan"—so called from the place where the scheme was first organised—according to which all the refineries were subject to a central board. They were to refine only such an amount as the board allowed, not to undersell prices fixed by the board, and to leave their buying of crude oil and the arrangements for transportation entirely in the hands of the board. In the aggregate they would thus form a company, presided over by one central board; their participation in this company would be expressed in terms of stock, and each stockholder would receive dividends whether his plant operated or not. It was, in short, the germ of a "Trust," with Mr. Rockefeller as trustee. The refiners had put their heads into the lion's mouth with a vengeance.

The Petroleum Producers' Union was up in arms at once to protect the price of crude, and made an heroic effort to do so by restricting output. They also set up a producers' selling agency to cut out the Refiners' Association by refusing to sell it oil except at their own price.

The Great Oil Octopus

They were no match in generalship, however, for Mr. Rockefeller, especially when aided, as he was, by the hand of Nature. Nature was unkind enough to send the producers "gushers" with floods of oil when they wanted it least, and they found restriction of output practically impossible. At the same time most of the producers were badly in want of ready cash, and the Refiners' Association had the longer purse.

At the psychological moment Mr. Rockefeller struck the judicious blow of offering to throw in his lot with the producers and buy crude only from the Producers' Selling Agency (and that at \$4.75 a barrel, a clear dollar over the then current market price), if the producers on their part would undertake to maintain the price and sell to no one outside the Refiners' Association. The coup succeeded, and, half tempted, half constrained by cash necessities, the producers were ill-advised enough to trust their enemy and sign what was known as "The Treaty of Titusville" on the lines proposed. They at once received an order from Mr. Rockefeller for 200,000 barrels of crude at \$3.25, not quite as good a price as that first mentioned, but which, under the circumstances, they were glad to accept. The "treaty" was signed on December 19, 1872. The producers had shipped about

Mr. Rockefeller's "Slimness"

50,000 of the barrels ordered by Mr. Rockefeller, when, on January 14, 1873, they were suddenly electrified to hear that that gentleman *refused to take any more of the contract oil!*

When taken to task Mr. Rockefeller urged in his defence the pitiful plea that the producers had not kept their part of the contract by limiting the supply of oil. It was true that the Producers' Union was pledged by its own internal organisation to limit the supply of crude, but no such stipulation appeared in the contract signed by it with the Refiners' Association. It was its own domestic arrangement. Had the matter been taken to court it is difficult to see how an alleged verbal understanding could have prevailed against a written contract. But no such step was taken. The Producers' Union collapsed in utter demoralisation and never made another united effort for the next five years. The Refiners' Association also found itself unable to keep up the internal discipline it had imposed upon itself. It dissolved in June, 1873, and Mr. Rockefeller was left sole master of the situation. He had outgeneralled everybody.

In 1874 the Erie, Central, and Pennsylvania Railroads entered into a combination with certain of the pipe lines, to the effect that equal rates should be charged by both the

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railroads and the pipe lines in the combination. The railroads were to starve out the independent pipe lines by refusing them the advantages given to the United Pipe Lines. Both railway freights and pipage rates were to be raised simultaneously, and on such a schedule that henceforth the cost of transport would be equal to all refiners, on crude and refined, from all points! This combination was announced curtly by a private circular sent out by James H. Rutter, freight agent of the New York Central, containing the paragraph:

You will observe that under this system the rate is even and fair to all parties, preventing one locality taking advantage of its neighbour by reason of some alleged or real facility it may possess. Oil refiners and shippers have asked the roads from time to time to make all rates even, and they would be satisfied. This scheme does it, and we trust will work satisfactorily to all.

The refiners and shippers referred to as complacently as if they formed the bulk of the refining and shipping interest were, of course, Mr. Rockefeller and his friends, assumed for the nonce, as in the case of the South Improvement Company, to be "the trade."

This astounding circular, commonly referred to in American Trust history as the Rutter circular, introduces us to the second species of unjust discrimination enjoyed by Mr. Rocke-

The Rutter Circular

feller, and perhaps—of late years, at any rate—with an even more disastrous effect than that of the secret rebate—namely, the “discriminatory rate.” In some cases the discriminatory rate was secret, in others published. The Rutter circular projected the idea into a sort of quasi-publicity as an ostensibly fair one. The brief for the Government in the pending appeal by the Standard Oil Company of New Jersey against the Missouri judgment characterises these discriminatory rates as follows:—

The testimony in this case will show that in the open published rates, as well as in secret and unfiled rates, there was radical discrimination against the independent shipping points and in favour of the Standard shipping points. . . . It is impossible that without connivance with the Standard Oil Company the railroads of this country should have uniformly made a system of rates whereby with scarcely an exception the independent shipping points were discriminated against in favour of the Standard shipping points. . . . It is a well-known fact that this group of defendants is the most influential in financial circles in the United States. This influence has undoubtedly been used to obtain these preferential rates, because it could not be possible that it merely happened in the ordinary course of business that practically every Standard shipping point would be favoured with advantageous rates as against competitors.

This contention has, of course, been already sustained by the finding of the Missouri Circuit Court, as it is sustained by the common sense of any one who takes the trouble to go through

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the schedules of rate charges made by the railroads recently brought to light. The Standard Oil Company's main refinery is at Whiting, in Indiana, a trifle to the south-east of Chicago. To take a few instances, the rate from Whiting to Chattanooga, a distance of 849 miles, by the route actually used on the road, was fixed by the railroad at 25.9 cents per hundred gallons, while the rate from Pittsburg—an independent refining centre—to Chattanooga, a distance of only 651 miles, was as much as 47 cents per hundred. In other words, the Standard Oil Company paid 21 cents a hundred less for shipping 200 miles further. This difference amounts to over $1\frac{1}{4}$ cents per gallon, which is in itself a large profit on oil. The discrimination against Cleveland and Toledo—two other independent shipping centres—on shipments to Chattanooga was equally great. Again, take the destination of Birmingham, in the State of Alabama. The open rate from Pittsburg, a distance of 794 miles, was 51.5 cents; from Whiting, a distance of 820 miles, it was 29.5 cents, a difference of 22 cents. Similarly there was an equal discrimination against Cleveland and Toledo on shipments to Birmingham. And so on to the end of the chapter of conspiracy all over the States.

THE BIRTH OF THE TRUST

"The American Beauty rose can be produced in its splendour and fragrance only by sacrificing the early buds which grow up around it."

J. D. ROCKEFELLER, Jun., *to the students
of Brown University.*

CHAPTER IV

THE BIRTH OF THE TRUST

THE arrangements which have now been described were the foundation on which the Standard Oil Trust was built. Some time in the summer of 1874, when he had become sure that the so-called "equalisation" scheme would be worked in his favour by the railroads and leading pipe lines simultaneously, Mr. Rockefeller conferred at Saratoga with two of his old friends of the South Improvement Company—W. G. Warden, of Philadelphia, and Charles Lockhart, of Pittsburg—both big refiners, and agreed with them to form an oil refiners' Trust, which was to work with absolute secrecy, and gradually acquire control of all the refineries in America. The instrument by which this large order was to be put through was, of course, the secret rebate and the new "equalisation," or, less euphemistically, discrimination. Secrecy was to be maintained by each firm as it came in carry-

The Great Oil Octopus

ing on business ostensibly as before under its old style and title, staff, and management, but its actual business was to be directed solely by the central board of the Trust, presided over by Mr. Rockefeller, which would control all operations of buying, transport, and selling. The refineries had to become the absolute property, however, of the Standard Oil Company, their late proprietors taking stock of that Company in exchange. We know this from an account of the Saratoga meeting given at a later period by Charles Lockhart, of Pittsburg, to Miss Ida M. Tarbell.

In March, 1875, something leaked out as to the constitution of the Trust, which was then spoken of as the Central Association. It gradually roped in most of the refining firms in America, the process being effected by one sensational collapse after another under the influence of the discrimination and the rebate. An exception was the huge refinery of Charles Pratt and Co., of New York, of which the famous H. H. Rogers was one of the most considerable assets. This firm sold itself more or less voluntarily to the Standard Oil for stock at 265. The absorption of the "Creek" refineries, *i.e.*, those in the Oil Regions, was conducted by the scarcely less famous J. D. Archbold, who appeared in Titusville as the

How it Persuaded its Rivals

representative of a Standard Oil offshoot, since known to fame as the Acme Oil Company. Between 1875 and 1879 Mr. Archbold won his spurs in the Standard by buying out, dismantling, or shutting down nearly every refinery on the "Creek." The history of this collapse makes pitiful reading, and I need not enter into it beyond giving a specimen or two extracted from contemporary records.

In 1888 Mr. A. H. Tack, a partner of the Citizens' Oil Refining Company of Pittsburg, after explaining on oath before the House Committee on Manufactures how his splendidly organised business gradually became non-paying under the Standard Oil influence, added :—

In 1874 I went to [see Rockefeller if we could make arrangements with him by which we could run a portion of our works. It was a very brief interview. He said there was no hope for us all. He remarked this—I cannot give the exact quotation—"There is no hope for us," and probably he said, "There is no hope for any of us"; but he says, "The weakest must go first." And we went!

The case of Scofield, Shurmer and Teagle, a Cleveland refinery, is evidence of the demoralisation of the times. At first the firm showed fight, and in 1876 brought a suit against the Lake Shore and Michigan Southern

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and the New York Central and Hudson River railroads for "unlawful and unjust discrimination, partialities, and preferences made and practised . . . in favour of the Standard Oil Company, enabling the said Standard Oil Company to obtain, to a great extent, the monopoly of the oil and naphtha trade of Cleveland." But Mr. Rockefeller persuaded them to drop their suit and obtain bigger profits than they were making by becoming his fellow-conspirators. They signed a contract, consequently, with him for ten years, the firm putting in a plant worth \$73,000 and its entire time, and Mr. Rockefeller putting in \$10,000—and his railway discriminations! The firm was guaranteed \$35,000 a year net profit—about 50 per cent. on capital; profits over \$35,000 went to Mr. Rockefeller up to \$70,000—about 100 per cent.; any further profits were to be divided.

The enormous dimensions of the profits contemplated in this case—and no doubt afterwards reaped—would presumably have excited suspicion very quickly among Scofield, Shurmer and Teagle's acquaintances who had seen them in their struggling days had not Mr. Rockefeller been an adept in joining secrecy to fraud as the basis of his operations. To quote Miss Tarbell (i. p. 66):—

“ It was the Bold Turpin ! ”

According to the testimony of one of the firm given a few years later on the witness-stand in Cleveland the contract was signed at night at Mr. Rockefeller's house on Euclid Avenue in Cleveland, where he told the gentlemen that they must not even tell their wives about the new arrangement, that if they made money they must conceal it—they were not to drive fast horses, “ put on style,” or do anything to let people suspect there were unusual profits in oil refining. That would invite competition. They were told that all accounts were to be kept secret. Fictitious names were to be used in corresponding, and a special box at the post-office was employed for these fictitious characters. In fact, smugglers and housebreakers never surrounded their operations with more mystery.

“ Smuggling,” “ housebreaking,” “ burglary ” are all terms that have been used to designate Mr. Rockefeller's methods, though much has been made of his mild demeanour and gentle persuasiveness in dealing with his rivals. To my mind his persuasiveness is on a par with that of the bold highwayman sung of in the “ Pickwick Papers ” :—

But Dick put a couple of balls in his nob
And perwailed on him to stop.

The Standard Oil Trust has been repeatedly and publicly charged in America with using in the pursuits of its ends or the defence of its interests such weapons as perjury, bribery, open violence, and arson. They concern, of course, individual members of the combination rather

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than the whole combination, and we begin with that part of the case which concerns Mr. J. D. Rockefeller personally.

In 1888 the mystery surrounding the ramifications of the Standard ring caused the Senate of New York State to order an "Investigation Relative to Trusts," and before the Commission entrusted with this investigation Mr. Rockefeller appeared and was questioned as to the *initium malorum*—the South Improvement Company. I quote from the official report of this investigation :—

Q. There was such a company ?

A. I have heard of such a company.

Q. Were you not in it ?

A. I was not.

As pointed out in my former articles, Mr. J. D. Rockefeller was a director with 180 shares in the concern, and the fact is now absolutely beyond dispute. The statement above was made on February 28th, and on April 30th following Mr. Rockefeller appeared before a Committee of the House of Representatives at Washington, and the following colloquy took place :—

Q. I want the names particularly of gentlemen who either now or in the past have been interested with you gentlemen who were in the South Improvement Company ?

Hard Swearing

A. I think they were O. T. Waring, W. P. Logan, John Logan, W. G. Warden, O. H. Payne, H. M. Flagler, William Rockefeller, J. A. Bostwick, and—*myself*.

A direct contradiction of his own words within the space of two months! Again, questioned as to railway rates by the New York Senate Committee, Mr. Rockefeller was asked if there had been any arrangements by which the Trust or the companies controlled by it got transportation at any cheaper rates than were allowed to the general public, and his answer was:—

No, we have had no better rates than our neighbours. But, if I may be allowed, we have found repeated instances where other parties had secured lower rates than we had.

The Committee, however, was not satisfied, and returned to the charge later on in the day, and Mr. Rockefeller, after much wriggling and evasion, practically admitted the contrary:—

Q. Has not some company or companies embraced within this Trust enjoyed from railroads more favourable freight rates than those rates accorded to refineries not in the Trust?

A. I do not recall anything of that kind.

Q. You have heard of such things?

A. I have heard much in the papers about it.

Q. Was there not such an allegation as that in the litigation or controversy recently disposed of by the Interstate Commerce Commission, Mr. Rice's suit; was not there a charge in Mr. Rice's petition that companies embraced within your Trust enjoyed from railroad companies more favourable freight rates?

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A. I think Mr. Rice made such a claim. Yes, sir.

Q. Did not the Commission find the claim true?

A. I think the return of the Commission is a matter of record. I could not give it.

Q. You don't know it; you haven't seen that they did so find?

A. It is a matter of record.

Q. Haven't you read that the Interstate Commerce Commission did find that charge to be true?

A. No, sir; I don't think I could say that. I read that they made a decision, but I am really unable to say what that decision was.

Q. You did not feel interested enough in the litigation to see what the decision was?

A. I felt an interest in the litigation. I don't mean to say I did not feel an interest in it.

Q. Do you mean to say that you don't know what the decision was?

A. I don't say that. I know that the Interstate Commerce Commission had made a decision. The decision is quite a comprehensive one, but it is questionable whether it could be said that that decision in all its features results as I understand you to claim.

Q. You don't so understand it? Will you say, as a matter of fact, that it is not so?

A. I stated in my testimony this morning that I had known of instances where companies altogether outside of the Trust had enjoyed more favourable freights than companies in this Trust, and I am not able to state that there may not have been arrangements for freight on the part of companies within this Trust as favourable as, or more favourable than, other freight arrangements; but, in reply to that, nothing peculiar in respect to the companies in this association. I suppose they make the best freight arrangements they can.

A commission, known, from the name of its chairman, as the Hepburn Commission, was

Refusal of Evidence

appointed by Congress in 1879 to investigate the New York railroads, and a number of Standard Oil officials, notably Messrs. H. H. Rogers, J. D. Archbold, Jabez A. Bostwick, and W. T. Sheide, were summoned before it. Though not so sweeping in their denials as Mr. Rockefeller, all of them avoided the truth. Their testimony, in fact, was so evasive that the Hepburn Commission, in making its report, characterised the Company as "a mysterious organisation whose business and transactions are of such a character that its members decline giving a history or description of it lest this testimony be used to convict them of a crime." The reason that the witnesses themselves gave for their evasion was—as might be expected—a different one from that assigned by the Commission. They stated that the investigations were an interference with their rights as private citizens, and that the Government had no business to inquire into their methods. This is a very interesting plea, for it throws a light on the general spirit of insubordination to all law and order consistently evinced by the Standard Oil Trust throughout its whole career whenever law and order were found to be in opposition to its progress. This constant opposition to the public authority, whether manifested by open contempt of Court when under examination, or by secret

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bribery to avert or compass legislation, or by secret acts known to be contrary to law, has been such as to merit for the Standard Oil conspirators the appellation of the anarchists of commercial life. Opposition to the law, denial of the law, refusal to be subject to the law, and attempted corruption of the officers of the law, indelibly marks their business policy.

Direct lying, however, was employed on occasion when Standard witnesses were under the necessity of answering questions categorically. Henry M. Flagler, for instance, swore in 1880 in the Court of Common Pleas (*Standard Oil Company v. W. C. Scofield et al.*) that the Standard Oil Company neither owned, operated, nor controlled refineries elsewhere than at Cleveland, Ohio, and Bayonne, N.J., whereas before the Investigation Relative to Trusts, New York Senate, 1888, he testified that in 1874 the Standard Oil Company *purchased* the refineries of Lockhart, Frew & Co., of Pittsburg; Warden, Frew & Co., of Philadelphia; and Chas. Pratt & Co., of New York. Mr. Rockefeller also swore falsely in the Scofield case in 1880, in the same sense as Mr. Henry M. Flagler. The purchase and consequent control of the Pittsburg, Philadelphia, and New York refineries mentioned was absolutely secret at the time, and seemingly not likely to be found out.

**BRIBERY : THE ARCHBOLD
LETTERS**

"Solid as a prison, towering as a steeple, its cold and forbidding façade seems to rebuke the heedless levity of the passing crowd, and frown on the frivolity of the stray sunbeams which in the late afternoon play around its impassive cornices. The building is No. 26, Broadway, New York City, home of the Standard Oil."

T. W. LAWSON in "*Frenzied Finance.*"

CHAPTER V

BRIBERY: THE ARCHBOLD LETTERS

THE Standard Oil people have undoubtedly practised bribery throughout a long series of years and on the most comprehensive scale, and that not merely to avert a temporary danger or get themselves out of an unexpected scrape, but as a matter of ordinary business routine. They bribed high and low, in season and out of season. How real the evil is was revealed in a dramatic manner in the famous Standard Oil letters which Mr. Randolph Hearst read during the American Presidential campaign of 1908. The genuineness of these letters was never questioned, although the persons implicated made some feeble attempts to put a less invidious explanation upon them. It was stated that one of the Standard Oil Company's letter-books had been stolen, and the *Times* editorially remarked that there had been "nothing approaching the dis-

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closures in sensational rapidity of action in the history of the American Presidential elections." The principal figure in these epistles of corruption is Mr. J. D. Archbold. The first letter was addressed to Mr. J. B. Foraker, Senator for Ohio, and one of the leading members of the Republican party. It was as follows:—

26, BROADWAY, NEW YORK,

March 9, 1900.

MY DEAR SENATOR,—I have your favour of last night with inclosure, which latter, with letter from Mr. Elliott commenting on same, I beg to send you herewith. Perhaps it would be better to make a demonstration against the whole Bill, but certainly the ninth clause, to which Mr. Elliott refers, should be stricken out, and the same is true of House Bill No. 500, also introduced by Mr. Price, in relation to foreign corporations, in which the same objectionable clause occurs. Am glad to hear that you think that the situation is fairly well in hand.

Very truly yours,

JNO. D. ARCHBOLD.

Hon. J. B. Foraker, Washington, D.C.

[The Mr. Elliott referred to was M. F. Elliott, general counsel for the Standard Oil Company.]

Here are some more letters of this series:—

26, BROADWAY, NEW YORK,

March 26, 1900.

Hon. J. B. Foraker, 1500, Sixteenth Street, Washington, D.C.

DEAR SENATOR,—In accordance with our understanding, now beg to enclose you certificate of deposit to your favour for \$15,000. Kindly acknowledge receipt and oblige.

Yours very truly,

JNO. D. ARCHBOLD.

The Archbold Letters

26, BROADWAY, NEW YORK,

April 17, 1900.

MY DEAR SENATOR,—I enclose you certificate of deposit to your favour of \$14,500. We are really at a loss in the matter, but I send this, and will be glad to have a very frank talk with you when opportunity offers, if you so desire. I need scarcely again express our great gratification over the favourable outcome of affairs.

Very truly yours,

JNO. D. ARCHBOLD.

Hon. J. B. Foraker, 1500, Sixteenth Street, Washington, D.C.

January 27, 1902.

MY DEAR SENATOR,—Responding to your favour of the 25th, it gives me pleasure to hand you herewith certificate of deposit for \$50,000 in accordance with our understanding. Your letter states the conditions correctly, and I trust the transaction will be successfully consummated.

Very truly yours,

JOHN D. ARCHBOLD.

Hon. J. B. Foraker, Washington, D.C.

26, BROADWAY,

February 25, 1902.

MY DEAR SENATOR,—I venture to write you a word regarding the Bill introduced by Senator Jones, of Arkansas, known as "S. 649," intended to amend the Act to protect trade and commerce against unlawful restraints and monopolies, introduced by him December 4th. It really seems as though this Bill was very unnecessarily severe and even vicious.

Is it not much better to test the application of the Sherman Act before resorting to a measure of this kind? I hope you will feel so about it, and I will be greatly pleased to have a word from you on the subject. The Bill, I believe, is still in committee.

With kind regards, I am, very truly yours,

JOHN D. ARCHBOLD.

Hon. J. B. Foraker, Washington, D.C.

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Senator Foraker, when these letters were published, explained that the 50,000 dollars was sent to him in order to carry out the purchase of an Ohio newspaper, and that when the deal fell through he returned the money. The American public received this explanation coldly, and the Republican party managers forced Mr. Foraker to retire from the campaign in order to try and get rid of so embarrassing an association. It will be noted that while these large sums were being sent to the Senator he was being asked to oppose anti-trust legislation in the interests of the Standard.

But even the Bench itself was not secure from the influence of Mr. Archbold. "Th' Supreem Court is full of Standard Ile," says Mr. Dooley, the American humorist, and two other letters addressed by Mr. Archbold to Senator Foraker show how that consummation has been reached :—

26, BROADWAY,

December 18, 1902.

MY DEAR SENATOR,—You, of course, know of Judge Burket's candidacy for re-election to the Supreme Court Bench of Ohio. We understand that his re-election to the position would be in the line of usage as followed in such cases in Ohio, and we feel very strongly that his eminent qualifications and great integrity entitle him to this further recognition.

We most earnestly hope that you agree with this view, and will favour and aid his re-election. Mr. Rogers joins me most heartily in this expression to you.

With kind regards, I am, very sincerely yours,

JOHN D. ARCHBOLD.

The Standard and the Judiciary

26, BROADWAY,

March 20, 1903.

MY DEAR SENATOR,—We are surprised beyond measure to learn that Smith W. Bennett, brother-in-law of F. S. Monnett, recently Attorney-General of Ohio, is in the race for the Attorney-Generalship of Ohio on the Republican ticket.

Bennett was associated with Monnett in the case against us in Ohio, and I would like to tell you something of our experiences and impressions of the man gained in that case. If you know him at all, I am sure you will agree that his candidacy ought not to be seriously considered from any point of view.

I would esteem it a favour to have a line from you on the subject.

JNO. D. ARCHBOLD.

Mr. F. S. Monnett, whose brother-in-law is attacked here, was one of the public officials whom the Standard Oil Trust failed to bribe—a most inconvenient record in Mr. Archbold's eyes. He was Attorney-General for the State of Ohio, and his activity in enforcing the anti-Trust law of that State against the Standard earned him this denunciation. Mr. Monnett described his personal experiences in the matter to a representative of the Press in July, 1899, when on a visit to London :—

It happened in this way: Mr. Chas. B. Squires is a well-known business man in Cleveland, president of the Manhattan Insurance Company, and in no way connected with the Standard. Owing to my fighting the Insurance Trust in Ohio I saw a good deal of him. One day a man called on Squires,

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saying that he represented Frank Rockefeller (brother of J. D.) and Charles V. Haskell, both Standard Oil men. This man asked Squires whether the Attorney-General could be "reached." Squires replied (according to his story to me) that if anybody could "reach" him he could. This representative mentioned the Trust names, and showed Squires a telegram stating that he had authority to "reach" the Attorney-General, and that there would be a liberal reward for him if things were dickered. The man offered Squires \$100,000. Squires said that would amount to nothing at all; that he would not attempt such a job for less than \$500,000. Finally he was authorised to offer \$400,000 (£80,000) to the Attorney-General if he would let the case stand adjourned over his term of office [this was the prosecution of the Standard by the State of Ohio as an illegal Trust], and \$100,000 was for Squires and the go-between. I was at Washington, and got a telegram from Squires, "Do nothing till I see you." When I did see him he made this proposition. . . . This is not the first case of the kind during this litigation, for one of my predecessors, Mr. Watson, was offered \$100,000 in much the same way. It is, moreover, quite in accordance with the general policy of the Trust.

In fact, in that year—1899—the Annual Report of Mr. Monnett to the Governor of the State of Ohio contains detailed charges of *six* deliberate attempts to bribe Mr. David K. Watson, his predecessor in office, to withdraw suits entered against the Standard Oil Company of Ohio. Mr. Watson, however, was not to be bribed; neither was he to be intimidated, though Senator Marcus A. Hanna, the personal friend and financier of President McKinley, and one of the most influential Republican poli-

“Oil and Gas”

ticians in America, wrote to him stating that he had always considered him “in the line of political promotion,” and then went on to intimate that unless the suit against the Standard was withdrawn Watson would be the object of vengeance by the Corporation and its friends for ever after. As if to clinch his threat and argument, Hanna wrote, “*You have been in politics long enough to know that no man in public office owes the public anything.*” This last phrase remained a potent weapon in the hands of Mr. Hanna’s enemies till the day of his death.

But the Hearst letters show that Judge Burket was not the only judicial candidate Mr. Archbold favoured. The following letters were written by him to the Hon. W. A. Stone, Governor of Pennsylvania :—

26, BROADWAY,

December 5, 1902.

MY DEAR GOVERNOR,—I am sure you will pardon any seeming presumption on my part in writing you on a subject in which, both personally and on behalf of my Company, I am greatly interested. It is to urge the appointment, if at all consistent, of Judge Morrison, of McKeen, to the Supreme Court Bench, vice Mitchell, deceased. Judge Morrison’s character for ability and integrity needs no word at my hands, but aside from these great considerations his familiarity with all that pertains to the great industries of oil and gas in the important relation they bear to the interests of the Western part of the State make him especially desirable as a member of the Court from that section.

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Hoping that it may prove possible for you to favourably consider Judge Morrison's appointment.

I am, with very high regard, sincerely yours,

JNO. D. ARCHBOLD.

Hon. Wm. A. Stone, Harrisburg, Pa.

26, BROADWAY,

September 5, 1900.

Hon. Wm. A. Stone, Harrisburg, Pa.

MY DEAR GOVERNOR,—Will you permit me to say that if it seems consistent for you to appoint Judge John Henderson, of Meadville, Pa., to the vacancy on the Supreme Bench caused by the death of Judge Green, it will be a matter of intense personal satisfaction to me. I am sure I need not occupy your time with any argument as to Judge Henderson's fitness, either as to character or legal qualification.

With high regard, I am, very truly yours,

JNO. D. ARCHBOLD.

Both Judge Morrison and Judge Henderson were appointed to the Supreme Court of Pennsylvania, and the former's familiarity with "oil and gas" no doubt proved acceptable to Mr. Archbold. We shall see hereafter that Mr. Archbold himself and other Standard Oil magnates had good reason to appreciate in the famous Buffalo refinery prosecution the advantage of having on the Bench a judge who was familiar with "oil and gas."

These strange letters did not disdain other rising members of the Bar. Here is a telegram and three letters addressed to the Hon. J. P. Elkin, Attorney-General of Pennsylvania—the

“ Our Understandings ”

officer whose duty it is to act as public prosecutor in his State in enforcing anti-Trust legislation. Mr. Elkin's merits have since raised him also to the Bench of the Supreme Court of Pennsylvania :—

Telegram.

March 15, 1900.

Hon. John P. Elkin, Indiana, Pa.

Telegram received. Will do as requested.

JNO. D. ARCHBOLD.

26, BROADWAY,

March 15, 1900.

Hon. John P. Elkin, Indiana, Pa.

Personal.

MY DEAR GENERAL,—In accordance with your telegraphic request of to-day, I beg to enclose you certificate of deposit to your favour for \$5,000, in fulfilment of our understandings.

Very truly yours,

JNO. D. ARCHBOLD.

26, BROADWAY,

February 5, 1900.

MY DEAR GENERAL,—In accordance with the request in your telegram of to-day, I now beg to enclose you certificate of deposit to your favour for \$10,000, kind acknowledgment of which will oblige.

Yours very truly,

JNO. D. ARCHBOLD.

To Hon. John P. Elkin, Indiana, Pa.

26, BROADWAY,

May 9, 1901.

MY DEAR GENERAL,—I enclose copy of a measure pending—I am not sure whether in the House or Senate—being an Act

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to amend an existing Statute, as stated. For reasons which seem to us potent, we would greatly like to have this proposed amendment killed. Won't you kindly tell me about it and advise me what you think the chances are?

Very truly yours,

JNO. D. ARCHBOLD.

To the Hon. John P. Elkin, Attorney-General,
Harrisburg, Pa.

This is the sort of campaign the Standard Oil Trust has been carrying on in American Legislatures. How would the British people like it to be extended to the House of Commons?

Of course, in such a campaign of corruption the Press is not overlooked. Here are three interesting letters which show how public opinion may be manufactured by that process:—

26, BROADWAY,
October 10, 1902.

Mr. H. H. Edmonds, Baltimore, Md.

DEAR SIR,—Responding to your favour of the 9th, it gives me pleasure to enclose you herewith certificate of deposit to your favour for \$3,000, covering a year's subscription to the *Manufacturers' Record*.—Truly yours,

JNO. D. ARCHBOLD.

26, BROADWAY,
January 17, 1899.

Hon. W. A. Magee, *Pittsburg Times*, Pittsburg, Pa.

DEAR SIR,—As per understanding, herewith enclosed find certificate of deposit to your order for \$1,250, the receipt of which kindly acknowledge.—Truly yours,

JNO. D. ARCHBOLD.

“ Helpful ” Newspapers

26, BROADWAY,

December 18, 1901.

Mr. Thomas P. Grasty, care of Buck & Pratt, Room 1,203,
27, William Street, City.

DEAR MR. GRASTY,—I have your favour of yesterday, and beg to return you herewith the telegram from Mr. Edmonds to you. We are willing to continue the subscription of \$5,000 to the *Southern Farm Magazine* for another year, payments to be made the same as they have been this year. We do not doubt but that the influence of your publications throughout the South is of the most helpful character.

With good wishes, I am, very truly yours,

JNO. D. ARCHBOLD.

These sums are called “subscriptions,” but their real character appears from the case of the *Southern Farm Magazine*, the price of which is 50 cents a year. Mr. Archbold was therefore “subscribing” for 10,000 years! We have only to remember that the anti-Trust feeling is very strong in Texas and the other Southern States to realise why the Standard Oil Trust was extending its patronage to the remote posterity of Mr. Thomas P. Grasty, that publicist of such a “helpful” character.

ARSON AND ESPIONAGE

"The Oil Trust is evangelical at one end and explosive at the other."

HENRY D. LLOYD in "*Wealth against Commonwealth.*"

CHAPTER VI

ARSON AND ESPIONAGE

IT will be necessary to return to the subject of bribery when we come to the marketing business of the Trust. We will now pass to a few examples of the resort to open violence for the attainment of the Trust's ends. The Tidewater Pipe Line was started by Lombard, Ayres & Co., New York refiners, and others, on the publication of the Rutter circular; and Mr. Rockefeller offered at first to buy them out—pipes, refineries, and all—but refused finally to give the price of \$15,000,000 they asked. The Standard's next move was the purchase of a certain minority of the shares in the Tidewater Company. On January 17, 1883, the Standard stockholders held a hugger-mugger meeting at the Tidewater office in Titusville, without notifying the stockholders generally, voted the turning over of the control to Standard Oil interests, and took possession of

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the office in the name of that Company. The president of the Tidewater, however, who had been absent in New York, met this attempt by another equally determined. He carried the office by surprise, barricaded it, and kept forcible possession till a suit could be brought to declare the meeting void, which was legally accomplished. Previously to this all sorts of material obstacles had been put in the way of the Tidewater pipe getting to the sea; the railroads constantly opposed the Company's obtaining a right of way, and mysterious individuals—obviously representing Standard interests—constantly cropped up along the proposed route, acquiring exclusive rights over strips of land running at right angles to the proposed right of way, some of these tiny ribbons of land being forty miles long. Finally, the Tidewater Pipe Line became a Standard Oil tentacle.

In the case of the United States Pipe Line—organised by the independent oil producers and not to be confused with the United Pipe Lines, which were always a Rockefeller organisation—it has been clearly shown that the Standard Oil Company's representatives have resorted to similar means of obstruction. Physical force was used on several occasions, a notable instance being that of the crossing of the Delaware River

The Pipe Line Fight

at Hancock under the Erie Railroad bridge in 1893. Erie interests as such were in no wise affected by the crossing, and the president of the Erie road, after a conference with Mr. Emery, manager of the United States Pipe Line, had informed him that there would be no objection to going under the bridge, and even sent his own engineer to Hancock to make arrangements for the exact location of the pipe. When the connection from both sides of the river was about to be made, however, the railroad company ran up two engines and "wrecking cars," with about seventy-five men, and placed inflammable material over the ends of the pipe lines, so that on any attempt to connect they would be so heated that connection would become impossible. The spot was beleaguered by the hostile forces of the railroad and the pipe line company for three months, when the latter abandoned the route and set its pipes seventy miles back to a place called Athens, Pa. The case for the United States Government in the Missouri prosecution says :—

The obstruction came in part directly from the agents of the Standard Oil Company and partly from the railroads, but there is every reason to believe that the railroads were acting in the interests of the Standard Oil Company, as their own interests would scarcely be injured by the pipe line, and as they had (so far as the evidence shows) never opposed the construction of pipe lines by the Standard Oil Company.

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I select another case from the year 1895, when the United States Pipe Line was getting in through the State of New Jersey to New York harbour. The account of it may be best given in the words of the United States Attorney-General's brief in the Missouri case:—

When the Delaware, Lackawanna, and Western Railroad was reached at Washington, N.J., serious opposition was again encountered. The pipe line company bought the fee simple title to land at a point where there was a culvert in the railroad and placed a pipe through this culvert, and put a force of men in charge. The next day two locomotives, a wrecker, and 150 men attempted by force to eject the employees of the pipe line from their position and to tear up the pipes. A hand-to-hand fight ensued, and finally an agreement was reached by which the matter was taken into Court. Mr. Emery testifies that some of the same men who opposed the passage of the pipe under the tracks of the Erie Railroad at Hancock, N.Y., some two years before, were also among the representatives of the Delaware, Lackawanna, and Western Railroad in the trouble at Washington, N.J. After a delay of six months the lower Court decided in favour of the right of the pipe line to cross the tracks.

In 1879 the owners of the Vacuum Oil Works, of Rochester, N.Y., Messrs. H. B. and C. M. Everest, father and son, made over a three-fourths interest in their concern, which manufactured a patent lubricating oil, to the Standard Oil Company, the Everests remaining managers on a salary, and also being co-directors along with Messrs. H. H. Rogers, J. D. Archbold, and

The Charge of Arson

Ambrose McGregor, of the Standard Oil Trust, of which the Vacuum Oil Company was now run as a subsidiary. The following year three of the employees, Wilson, Matthews, and Miller, having got some money together, thought that they would like to start refining on their own account, and did so, setting up the Buffalo Lubricating Oil Company in the town of Buffalo. C. M. Everest warned them he would do all in his power to injure their concern. He tried especially, by an offer of \$20,000, to get Miller, who was the most practical refiner of the three, to break his contract with his two new partners, and on June 7, 1881, H. B. Everest took Miller to the office of his lawyer, Mr. Geo. Truesdale, in order to come to an arrangement with him. Mr. Truesdale afterwards testified as follows in regard to this interview (Proceedings in Relation to Trusts, House of Representatives, 1888, Report No. 3,112, p. 864) :—

I told him (Miller) that I did not know the exact terms of his contract, but if he had entered into a contract and violated it I presumed there would be a liability for damages as well as a liability for the debts of the Buffalo party. Mr. Miller and Everest both talked on the subject, and Mr. Everest says, "I think there are other ways for Miller to get out of it." I told him I saw no way except either to back out or to sell out; no other honourable way. Mr. Everest says, substantially, I think, in these words: "Suppose he should arrange the

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machinery so it would bust up, or smash up, what would the consequences be?"—something to that effect. "Well," I says, "in my opinion, if it is negligently, carelessly done, not purposely done, he would be only civilly liable for damages caused by his negligence; but if it was wilfully done, there would be a further criminal liability for malicious injury to the property of the parties—the company." Mr. Everest said he thought there wouldn't be anything only civil liability, and said that would—he referred to the fact that I had been police justice, had some experience in criminal law—and he said that he would like to have me look up the law carefully on that point, and that they would see me again.

Shortly afterwards Miller blew up a still in the Buffalo works twice over by overheating, but did no further damage beyond spoiling the 175 barrels of oil contained in the still. He absconded, was kept in idleness, or semi-idleness, by the Vacuum Company at a salary of \$1,500 a year, and the latter company proceeded to harass the Buffalo Lubricating Oil Company out of existence by taking one vexatious action after another against it on the ground of infringement of patents. These were all decided in favour of the Buffalo Company by the Courts except in one case, for a purely technical infringement it was condemned to pay 6 cents (3d.) damages. Finally, the Buffalo Company turned on its adversary and took an action against the Vacuum Oil Company directors, H. H. Rogers, J. D. Archbold, A. McGregor, and the two Everests for criminal conspiracy, insti-

The £50 Fine

tuting at the same time civil suits for damages. The trial, at which Mr. J. D. Rockefeller and all the forces of the Standard Oil were mustered, aided by the most eminent counsel in the States, came off at Buffalo on May 2, 1886, and Messrs. Rogers, Archbold, and McGregor escaped owing to the judge withdrawing the case from the jury, because, although they were directors of the Vacuum Oil Company, it could not be proved that they had advised Miller to cause an explosion. The two Everests were condemned. By various means the Standard contrived to stay execution of the sentence until May, 1888, two years later; the statute provided a penalty of one year's imprisonment or \$250 fine, or both. Great efforts were made to obtain a mitigation of the sentence. A petition signed by forty "leading citizens" of Rochester was handed in to the judge, praying him, on account of the "untarnished fidelity and integrity" of the convicted men, to make the penalty as light as the Court was authorised by law to fix. In the result the two Everests were each fined \$250 for the criminal offence, and the Vacuum Oil Company settled the civil suits for \$85,000 (£17,000). This is the case on which the late Mr. Henry D. Lloyd (whose work, "Wealth against Commonwealth," was the first to expose the Standard's misdeeds), based the caustic com-

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ment: "The Standard Oil Trust is evangelical at one end and explosive at the other."

It was remarked in a previous chapter that the unfair advantages conceded to Mr. Rockefeller by the conspiring railroads afford a sufficient answer to the Standard Oil Trust's contention that the secret of its success lies in its superior business ability. But there is no need to deny a high level of business ability to Mr. Rockefeller and his associates. The Standard Oil people have always enjoyed this legitimate advantage of knowing exactly what they intend doing. Granting, however, that the Standard people are the keenest of business men, it is equally certain that they have pushed their keenness to the point where it has become mere unscrupulous cunning and chicanery. This is conspicuously shown in the history of the Trust in its character of salesmen.

Every local agent for the sale of Standard oil is required to furnish reports to the statistical department of the Standard Oil Trust at 26, Broadway, New York, of all the transactions entered into by every dealer in his district. His business, in short, is to know everybody else's business and to report it. This is done by filling up printed forms showing in parallel columns against every retailer's name in the district, be he shopkeeper or pedlar, the description and

The System of Espionage

brand of goods he buys and sells, how the goods have been transported, their price, and the name and address of the wholesale dealer who supplied them. The agent is stimulated in every way by reproof and reward to obtain the most intimate and apparently trifling details bearing upon the above points, and, as is well known in the United States, is generally converted by the system into a mere spy, who will not stick at bribery or any other dirty trick so long as he can give his chiefs the desired information. The United States Government agents found that the Standard's "statistical department" was presided over by a man named Christian Dredger—a name which, allied to the occupation, certainly reminds one of "the man with the muck-rake." The knowledge that a local grocer or pedlar is buying elsewhere than from the Standard is no sooner received by mail or telegraph at the statistical department than a Standard agent is told off to swoop down upon the "irregular trader," and either by threats of underselling and ruining his business in case he persists to offer the "independent" oil, or by promising him a secret rebate on published prices, secures his submission. If the agent can persuade the retailer to countermand his order from the independent, so much the better.

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These accusations are proved beyond question by extant collections of hundreds of letters and numerous telegrams received by independent retailers, and by a superabundance of sworn testimony from all parts of the States. Just to show how the thing works, here is a typical letter received by a retailer who has been caught ordering oil from an independent, and has been "persuaded" to countermand the order:—

DES MOINES, IOWA,

January 14, 1891.

John Fowler, Hampton, Iowa.

DEAR SIR,—Our Marshallstown manager, Mr. Ruth, has explained the circumstances regarding the purchase and subsequent countermand of a car of oil from our competitors. He desires to have us express to you our promise that we will stand all expense, provided there should be any trouble growing out of the countermand of this car. We cheerfully promise to do this; we have the best legal advice which can be obtained in Iowa bearing on the points in this case. An order can be countermanded either before or after the goods have been shipped, and, in fact, can be countermanded even if the goods have already arrived and are at the dépôt [*anglice*, railway station]. A firm is absolutely obliged to accept a countermand. The fact that the order has been signed does not make any difference. We want you to absolutely refuse under any circumstances to accept the car of oil. We are standing back of you in this matter, and will protect you in every way, and would kindly ask you to keep this letter strictly confidential.

Yours truly,

E. P. PRATT.

A Short Way with Competitors

Another typical example of Standard methods is revealed in the following letter addressed to the Independent Oil Company, of Mansfield, Ohio, by one of its customers:—

TIFFIN, OHIO,

January 24, 1898.

DEAR SIRs,—I am sorry to say that a Standard Oil man from your city followed that oil car and oil to my place, and told me that he would not let me make a dollar on that oil, and was dogging me around for two days to buy that oil, and made all kinds of threats, and talked to my people of the house while I was out, and persuaded me to sell, and I was in a stew what I should do, but I yielded, and I have been very sorry for it since. I thought I would hate to see the bottom knocked out of the prices, but that is why I did it—the only reason. The oil was all right. I now see the mistake, and that is of getting a carload. Two carloads coming in here inside of a week is more than the other company will stand . . .

Yours truly,

H. A. EIRICK.

Chess, Carley & Co., the Standard marketing agents at Louisville, Kentucky, are big offenders in this respect. The late Mr. George Rice, of Marietta, Ohio, a well-known independent, offered a grocer named Armstrong, in Clarks-ville, Tennessee, his oil at a lower price than Chess, Carley & Co. would sell to him at. Armstrong mentioned the offer to the latter, and “was scared almost out of his boots,” wrote Rice’s agent.

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Carley told him, continues the agent, "he would break him up if he bought oil of any one else ; that the Standard Company had authorised him to spend \$10,000 to break up any concern that bought oil from any one else ; that he (Carley) would put all his drummers in the field to hunt up Armstrong's customers, and sell his customers groceries at 5 per cent. below Armstrong's prices, and turn all Armstrong's trade over to Moore, Bremaker & Co., and settle with Moore, Bremaker & Co. for their losses in helping to break Armstrong up, every thirty days.

The Waters-Pierce Oil Company, the Standard's Texas and Mexico branch, are equally bad, and their methods are denounced by their customers in similar language to that already quoted. The retailers speak of their threats, their "cutting to kill"; they complain that the Standard agents "nose" about their premises, ask impudent questions, and generally make trade disgusting and humiliating.

The system naturally results in bribing employees, not only of the railroads, but of the independents themselves in order to gain information. The bribes seem to have been generally small in amount, but to have yielded wonderful results. For instance, in 1893, a negro boy who was induced by the Atlantic Refining Company of Philadelphia (Standard Oil subsidiary), to supply regular details of the business of the Lewis Emery Oil Company, his employers, was only paid \$90 (£18) for supply-

Bribery of Employees

ing information as to the firm's daily shipments for about six months and also for smuggling his company's price-book to the Standard managers to be copied out! Most of the old legends about a man "selling his soul to the devil" make Mephistopheles do something very substantial as his part of the bargain. But the Standard Oil Trust is capable of giving his Satanic Majesty many wrinkles in "labour-saving" methods, and breaks down the moral sense of the rising generation on much more economic principles. E. M. Wilhoit, Standard agent at Topeka, Kansas, from 1891 to 1898, testified in the Missouri trial that his agency was allowed \$8 (£1 12s. 6d.) a month for paying railroad employees for information of competitive shipments, Mr. E. P. Pratt, the manager of the Kansas City branch of the Consolidated Tank Line Company, forwarding this \$8 from Kansas City by his personal cheque. Mr. G. W. Mayer, who succeeded Pratt, reduced this amount to \$6 (25s.) a month. The cheques came in blank envelopes without any letter, and the instructions as to what should be done with the money were given verbally. The clerks of five different railways were called upon once a week for this information, which was generally written on a small slip of paper and handed to the drayman who took oil to the railroad.

The Great Oil Octopus

I select this case almost at random as a typical one from an ocean of similar evidence. From the tempter's point of view it certainly seems a very cheap line of damnation.

THE "BOGUS INDEPENDENTS"

"The very rich are just like all the rest of us; and if they get pleasure from the possession of money it comes from their ability to do things which give satisfaction to some one besides themselves."

JOHN D. ROCKEFELLER in "*Random Reminiscences.*"

CHAPTER VII

THE "BOGUS INDEPENDENTS."

THE constant policy of the Standard throughout its whole career has been superabundantly proved to be to cut prices where there is competition, and where there is none to raise them to the utmost point that customers will go to. The Standard has found that this practice has always caused a deal of talk whenever it has been recognised, and the Standard hates talk. It has made a good try to keep the talk down by spreading the idea about that it is the Standard's competitors who always begin the price-cutting, and, on finding it difficult to get this idea to go down with the public, it one fine day hit upon the expedient of putting "bogus independent" companies and pedlars in the field as stalking-horses to bear the odium of the price-cutting. Occasionally, especially in the case of the pedlars, who do a big business in America, it has involved a deal of stagey

The Great Oil Octopus

“business” of all sorts to keep this deception up, a fact that makes the perusal of the evidence on this matter very entertaining and at times even amusing reading. But a very serious purpose and a very serious effect ran through the whole proceedings for years, which was, in general, to throw dust in the eyes of the public as to the game consistently played by the Standard, namely, to kill competition and extract the highest possible amount out of the pockets of its customers. There are two British companies which were alleged by the United States Government counsel in the Missouri litigation to be Standard Oil tentacles. Their whole history is so characteristic of Standard Oil tactics that it merits close and immediate attention. They are the General Industrials Development Syndicate, Limited, registered at Somerset House in 1899, and the London Commercial Trading and Investment Company, Limited, registered in 1903. As these were two companies which Mr. J. D. Archbold, in the Missouri proceedings, swore he had never heard of, their history throws a valuable light on how the Standard does its business. Taking the General Industrials first, we are brought back to an American company, the Manhattan Oil Company, of Ohio, which was organised by Commodore E. C. Benedict and Mr. A. N. Brady, of New York, in 1890. They laid a pipe

The Manhattan Company

line from the Lima oil-fields to Chicago in order to supply crude oil to the People's Gas Light and Coke Company of that city, in which they were interested, at a more reasonable rate than the Standard would supply it. The Manhattan Company also had a large number of tank cars and a refinery in Galatea, Ohio. Evidence was given before the Inter-State Commerce Commission that independent Cleveland refiners were met in the Lima oil field by this Manhattan Oil Company, which cut off their supplies by paying "premiums" to oil well-owners in certain districts to send it their oil. The Manhattan Company professed to be independent, but its proceedings induced the really independent refiner to suspect that it had become a Standard auxiliary.

When the United States Government started the proceedings in the Missouri courts a part of the truth came to light. Evidence was then given by Mr. A. N. Brady that in 1899 he sold the entire stock of the Manhattan Oil Company for \$615,000 to an English company, this General Industrials Development Syndicate, Limited, which also took over a mortgage of \$800,000. But Mr. Brady wanted to ensure that his gas plants in Chicago should have a supply of gas-oil, and he testified that part of the terms of his contract for the sale of the Manhattan

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stock to the English company was that the Standard Oil Company of Indiana (one of the branches of the Trust) should supply him with gas-oil.

It was sufficiently remarkable that this unknown English company should be able to secure a favourable contract for Brady's gas-oil from the Standard, but still more remarkable incidents followed. Immediately after the purchase of the stock of the Manhattan that company's refinery at Galatea, Ohio, was bought by the Solar Refining Company of Ohio (admittedly a Standard company); the Union Tank Line Company (another Standard company) bought all the Manhattan's tank cars, and the Ohio Oil Company (a Standard tentacle which is in the oil-well business) bought the Manhattan Company's wells. After this division of its property the Manhattan Oil Company continued as a pipe-line company, posing as an independent oil company and offering these "premiums." Then came the delicate question as to who owned it! Here is an extract from Mr. Archbold's cross-examination :—

Q. Do you know the General Industrials Development Syndicate, Limited, of London ?

A. I do not.

Q. Of London, England ?

A. I do not.

The Anglo-American Oil Company

Q. You know nothing about it ?

A. I do not.

Q. Is it owned or controlled, directly or indirectly, by any company of the Standard Oil combination ?

A. Not to my knowledge.

Q. You would be apt to know it, wouldn't you, if it was ?

A. I think I would.

Q. Do you know the firm of Budd, Johnson and Jecks, London, solicitors ?

A. I don't know them.

Q. Did you ever hear of them ?

A. I may have heard of them in connection with this inquiry.

Q. Do you know Mr. Maxwell ?

A. I do not.

Q. Connected with the firm. Mr. Maxwell or Mr. Herbert Johnson ?

A. I do not know either of them.

Q. Did you ever hear of them ?

A. I may, in connection with this firm. I don't even recall the names now.

Mr. Kellogg, counsel for the United States Government, pointed out that the New York books of the Anglo-American Oil Company Ltd., of London, showed that the Company between 1899 and 1906 loaned over £540,000 to Mr. James McDonald, who was then its managing director, and he suggested that it was to provide the money to enable the General Industrials Development Syndicate to buy the Manhattan and yet conceal that the Standard were the purchasers. Mr. Archbold was in his best *non mi ricordo* vein. Although

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he was a director of the Anglo-American Oil Company up to 1907 he could not tell for what purpose that large sum of money was lent to Mr. McDonald by the Company. Neither the auditor nor the comptroller of the Standard Oil Company in New York could tell why their London branch did this, and Mr. Archbold did not even know whether the loan had been repaid! He was still more pointedly questioned about the matter:—

Q. Isn't it a fact, Mr. Archbold, that the Standard Oil Company, or some of its companies, indirectly owns the Industrials Development Syndicate, Limited, and organised it?

A. Not to my knowledge.

Q. You keep pretty close track of companies starting business in competition with you in this country, don't you?

A. We do.

Q. You seem to be able to produce a list here of every concern engaged in the oil business in the country, didn't you?

A. As nearly as we can keep track of it; yes.

Q. Is this General Industrials Development Syndicate, Limited, engaged in the oil business anywhere else?

A. I do not know.

Q. You never investigated it?

A. I never heard of their being in any place else. They may. I never have heard of it.

Q. And yet it bought the Manhattan Company and then caused the Manhattan to sell you the refineries, the producing wells, the cars, and continued doing business with you, and you never looked into the Development Company. . . . You never investigated to find out who the English company was?

A. No, not beyond that.

The Security Oil Company

The last question of counsel is a sufficient commentary in itself on Mr. Archbold's pretended ignorance of the General Industrials Development Syndicate, but further light will be thrown presently upon the relations of this London company with the Standard group. In the meantime, it will be convenient to consider, at the same time, the second of these English companies, the London Commercial Trading and Investment Company. Evidence was given in the Missouri prosecution by Mr. H. Bayne, the son of a well-known New York banker, that all the stock of the Security Oil Company of Texas, another professedly independent concern, had been acquired by this London company. Texas has a very rigid anti-Trust law, and therefore there was an additional reason for caution in allowing the real purchasers to become known. Mr. Archbold was as discreet as ever. Mr. Kellogg put it to him that cheques drawn by the Anglo-American Oil Company to the order of the National Provincial Bank of England in London were by that bank turned over to the Bank of England, and that cheques were then drawn on that bank to solicitors to pay for the Security Oil Company's stock. Now, although Mr. Archbold had been for many years a director of the Anglo-American Oil Company, he could neither confirm nor deny this remarkable story. He

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had never heard of such a transaction, and when asked whether the Standard directly or indirectly owned or controlled the London Commercial Trading Company he could only reply, "Not to my knowledge."

It is time, in considering this painful case of "loss of memory," to turn to the records of these two companies in the Registry of Joint Stock Companies at Somerset House. They present singular features of resemblance; in fact, save for the disparity in age, they might be twins. Both companies have as solicitors and large original shareholders the members of the firm of Budd, Johnson and Jecks, of 24, Austin Friars, E.C., whose names Mr. Archbold was unable to recall. Both companies have the same offices—27, Walbrook; the same secretary—Mr. J. Morgan Richards Francis; and the same auditor. Both companies have adopted the idea of issuing share warrants to bearer for the whole of their capital, by which device they avoid returning any subsequent list of shareholders to Somerset House. Both companies hit upon the idea of having but one director, and both were fortunate enough to select for that onerous task the same gentleman—Mr. Horace Maxwell Johnson, barrister-at-law, of Hickwells, Chailey, Sussex. But these strange coincidences do not

Light at Somerset House

end here. The first list of shareholders in each case contains some remarkable resemblances. In the case of the General Industrials Development Syndicate it was as follows:—

	Shares.
Henry Hassall, 32, Dartmouth Park Road	1
E. G. Flower, Elm Villa, Elm Road, Sidcup	1
Robert Cave, 26, Beversbrook Road, Tufnell Park ...	1
Sydney Lowenthal, 59, Sidney Street, South Kensington	1
Francis Glover Sharpe, 16, Foyle Road, Westcombe Park	1
Ernest Luff Smith, 73, Ramsden Road, Balham ...	1
Horace Maxwell Johnson, 1, Dr. Johnson's Buildings, barrister	1
John Wreford Budd,	} all of 24, Austin Friars, solicitors, jointly ...399,993
Murray Johnson,	
Herbert Walter Johnson	
Arthur Statham Jecks	
	<hr/> 400,000

Turning to the London Commercial Trading Company, we find the following names:—

	Shares.
Henry Hassall, 5, Florence Road, Finsbury Park ...	1
E. G. Flower, 279, High Road, Lee	1
Robert Cave, 26, Beversbrook Park, Tufnell Park ...	1
F. G. Sharpe, 27, Walbrook	1
E. Luff Smith, 73, Ramsden Road, Balham	1
John Rayner, 8, Woodside Villas, Ewell Road, Surbiton	1
G. Dudley Colclough, 47, Inverness Terrace	1
John Wreford Budd,	} of 24, Austin Friars, jointly, 722,502
Murray Johnson,	
Herbert Walter Johnson	
Arthur Statham Jecks	
	<hr/> 722,507

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(On February 23, 1904, 2,493 more shares were allotted to Messrs. Budd, Johnson and Jecks, making up the total capital of £725,000.)

It must be understood, of course, that the appearance of the names of English lawyers in these lists neither conveys any reflection of any kind upon them nor identifies them in any way with the operations of the Standard Oil Trust in the United States or elsewhere. Messrs. Budd, Johnson and Jecks are a well-known and highly respected firm; and it must be assumed that they only appear in these transactions between the companies in their professional capacity.

We find, therefore, that out of the original shareholders in the General Industrials, nine appeared in the list of the London Commercial four years afterwards. A tenth, Mr. Horace Maxwell Johnson, the managing director, appeared on October 2, 1903 (Mr. E. G. Flower's share was transferred to him). In both cases almost the entire assets of the Company are represented in the balance-sheet by shares of foreign companies. In the case of the General Industrials, out of its £100,526 assets £94,613 represented such shares, while in the case of the London Commercial this item represents £718,685 out of total assets of £734,979.

There is only one difference in the history

Remarkable Coincidences

of these companies. While the London Commercial has increased its original capital of £110,000 to £725,000, the General Industrials has reduced its capital. It consisted at first of 400,000 £1 shares, but in June, 1901, the capital was reduced to £230,000 by the repayment of 8s. 6d. on each share. On December 13, 1905, the capital was further reduced to £120,000 by the repayment of a further 5s. 6d. on each share, and on August 10, 1906, this was further reduced to £100,000 by refunding a further 1s. per share. This world is full of strange coincidences, but it is distinctly worth noting that the capital of the Manhattan Oil Company showed a synchronous tendency to fall. From an exhibit put in by Mr. Kellogg in the Missouri case it appeared that the capital of the Manhattan Oil Company was reduced from \$2,000,000 (£400,000) to \$500,000 (£100,000) on May 23, 1902, and to \$150,000 (£30,000) on October 23, 1905.

Mr. Brady testified that when Mr. Herbert Johnson, of London, came to him in New York he said the General Industrials were "in the oil business, but wished to purchase a going company, with wells, and land, and cars, and pipe lines."

Q. And refineries?

A. Refineries.

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Q. Now if he wished to purchase a going business, why did they sell their wells and tank cars and refineries?

Mr. Milburn (Standard Oil counsel): Does Mr. Brady know that?

Q. Do you know?

A. No, I do not know that they did.

One other remarkable feature about this General Industrials Company may be mentioned. Mr. Brady produced at this trial the following cable that he received:—

August 31, 1899, London. To A. N. Brady, 54, Wall Street, N.Y.—Syndicate accepts options. John H. Cuthbert, its agent, will call on you to arrange details and payment. He has full authority.—JOHNSON.

This was signed by Mr. Herbert W. Johnson, the London solicitor, who, with the assistance of several other solicitors, a barrister, and an accountant, was going into the oil business on this large scale. But, to use a once-famous American political phrase, Mr. John H. Cuthbert was “the nigger in the wood-pile.” It is his presence that finally “gives away” the carefully hidden origin of the General Industrials. When Mr. J. D. Archbold was first questioned about Mr. Cuthbert he was as forgetful as ever:—

Who was Mr. Cuthbert? Do you know him?

A. I knew a Mr. Cuthbert.

A Standard Oil Agent

Q. In 1899 he was in the employ of the Standard Oil Company, wasn't he—John H. Cuthbert?

A. I do not recall that he was.

Q. He had been in your employ, hadn't he, in some of your companies?

A. I do not recall that he had been.

Q. Do you know him?

A. I did know him.

Q. Where was his place of business?

A. My recollection would be that he was employed with the Tide Water Oil Company.

Q. Didn't he use to be employed by one of the Standard Oil companies?

A. He may have been earlier, away back. I do not remember distinctly. I am inclined to think that he was—in the earlier years—employed by one of our companies.

After the luncheon adjournment on the same day, however, Mr. Archbold's memory somewhat improved:—

Q. Isn't it a fact that Mr. John H. Cuthbert was the Standard's representative in the Tide Water Company as director?

A. He went there not specially as our representative, but left our employ and went to them, because I imagine they offered him greater inducement in the way of salary. I know of no other reason.

Q. Is it not a matter of fact that he solely represented the Standard Oil Company as a director in the Tide Water Company?

A. I think he was there as a servant of the business.

The truth about Mr. John H. Cuthbert's position

The Great Oil Octopus

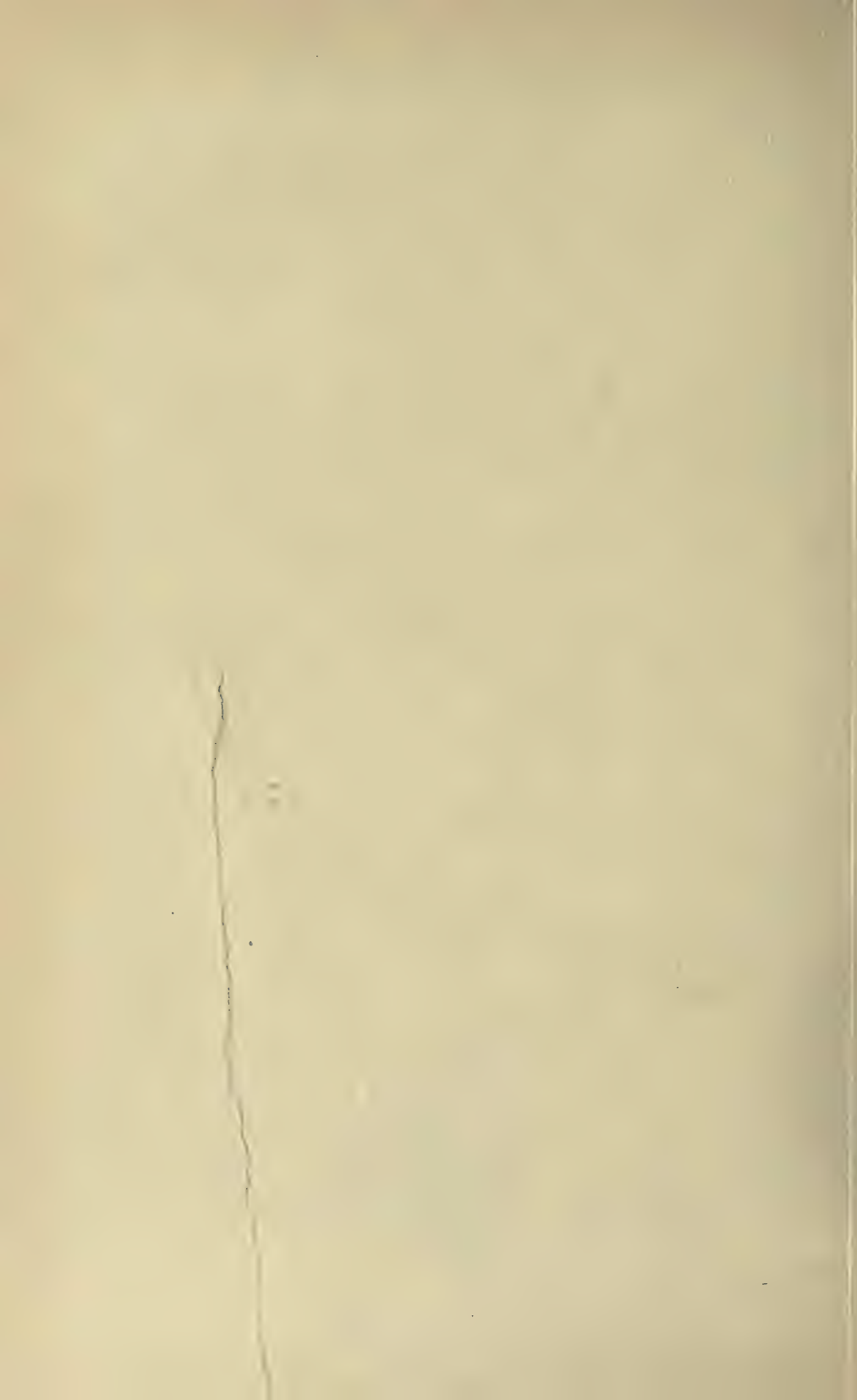
in relation to the Standard Oil Trust is clearly shown by the following extract from the Report of the United States Commissioner of Corporations on the Petroleum Industry (Part I. page 54):—

About the same time (1881) Standard interests succeeded in acquiring a minority interest in the Tide Water Company's stock. This move, coupled with the continual hostility of the railroads, led to a virtual surrender of the Tide Water interests, and an agreement was reached in 1883 by which they substantially became, and have since remained, a *part of the Standard Oil system.*

To sum up the history of this General Industrials Development Syndicate, we have an American oil company sold to a London company with no list of shareholders, with a managing director who is a barrister, after an examination and valuation of the property by a Standard Oil employee. We find as one of the terms of the deal that the Standard Oil Company—who, according to Mr. Archbold, had no interest in this transaction—should guarantee a supply of crude oil at a low rate for ten years to the vendors' Chicago gas company. Then we find all the assets of the Manhattan Company transferred to various Standard Oil companies, except the pipe lines, and these pipe lines used for the purpose of

An Obvious Conclusion

collecting oil for Standard companies, and paying premiums to producers to prevent them supplying oil to independent refineries which the Standard desires to kill. All this, taken with the evasive and obviously untruthful answers of Mr. Archbold, can lead to but one conclusion as to the real origin of the General Industrials. When the facts are considered with regard to the parallel case of the London Commercial Trading Company, that conclusion is strengthened still more.



THE STANDARD'S "INVENTIONS"

"From controlling the production and sale of oils, it was but a natural progression to rise to the control of legislatures, judges, and the executives of the State and Federal Governments. Members, or servants, of this modern industrial *Camorra* have been Cabinet ministers of the Supreme Administration in Washington. They have had Presidents of the Republic at their beck and call."

Investors' Review, 1897.

CHAPTER VIII

THE STANDARD'S "INVENTIONS"

THE Standard achieved other ends by its system of creating bogus competitors, besides avoiding public odium. It was enabled by their operation to carry on a competitive warfare cheaply. The "bogus independents" bought oil from the genuine independents, and proceeded to retail it at the *wholesale* price. As the genuine independents then came down a peg or two in their retail price to meet this competition, and lowered their wholesale price correspondingly, the bogus concerns bought more at the new wholesale level, and then retailed it at that, and so *ad infinitum*—or, rather, *ad infimum*—till the bottom was reached, without their losing a cent in the process. Meantime the Standard virtuously kept its prices up to its own customers in that particular district, and protested against the ruin that was being brought upon the

The Great Oil Octopus

trade by underselling. Thus the function of the "bogus independent," whether company or pedlar, was not to make money for the Standard, but to kill off its competitors. It was an instrument of assassination pure and simple. And just as a particularly diabolical murderer arranges the time and manner of his victim's death, so that it shall seem to be self-inflicted, so the Standard arranged by the working of these bogus concerns that the genuinely independent firms outside its own charmed circle should seem to the public to be perishing as the result of their own "cut-throat competition." It was a subtle game, and played with devilish cunning and persistency for many years before it was definitely shown up in its true light. And it was helped by the fact that many of the bogus concerns worked in this way had once been genuinely independent concerns which the Standard had secretly bought up.

Charles E. Farrell testified as a Government witness at the Missouri trial—and no attempt was made to rebut his evidence—that he had been a tank-wagon driver for the Standard Oil Company until events took place as follows: About March, 1899, he was approached at his home at night by the Standard's agent at Troy, N.Y., who told him that McMillan, the

The Tank Wagon

Standard's manager at Albany, had some important work for him to do which must be kept entirely secret even from Farrell's own family. At his instance Farrell met McMillan and Mason, the Standard manager at Binghamton, N.Y., who told him that the Standard had competition at Oneonta, N.Y., from the Tiona Oil Company, which had got the bulk of the trade, and that they wanted to get it back, and for that purpose to set the store-keepers fighting with one another. He was directed to go to the Tiona Oil Company at Binghamton, N.Y., and buy twenty-five barrels of oil, and have it shipped to Worcester, as the Tiona would not sell him oil to sell at Oneonta, where it was already doing business. He was then to reship it from Worcester to Oneonta, where he was to peddle it about, putting the sign "Tiona Oil" on his wagon, at 8 cents (4d.) a gallon, the same price he had to pay the Tiona for it at Binghamton. Strict secrecy was enjoined as to whom he was working for. Farrell carried out the manœuvre till the merchants cut against one another down to 2 cents a gallon retail, and one even put out a sign: "Free oil; come and get your cans filled." Later Farrell could not succeed in getting any more Tiona oil; then the Standard supplied him with its own oil, cautioning him

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not to sell too much of it, but only to bell the low price about. Farrell was suspected at last by the Tiona people of being sent by the Standard, but, acting on instructions, denied it through thick and thin.

This nefarious game went on for six months, during which time Farrell carried on his correspondence with Mason at Binghamton by addressing the letters to a man named George Craven at a certain post-office box in Albany, and Craven forwarded them to Mason. Most of the letters sent by Mason in reply were on plain paper and unsigned, but not all. In one which is signed, and which was exhibited in court, Mason says:—

I have your various letters. . . . Our salesman who visits Oneonta knows nothing whatever of who you are, nor does any one except those you saw in our office, and under no circumstances whatever do we want any one to get the slightest hint that we are in any way concerned in this matter. The Tiona people are denying that they have anything to do with it, and claiming that we started you there. Of course, we are denying this, and you must be very cautious, and not allow any one to try to pump you. . . . You are doing first-rate and carrying out the plan excellently, and very much to my satisfaction. . . . As soon as you have read this, set a match to it and burn it up. . . . Don't tear it up, for some person might get hold of the pieces of paper and put them together, but if you burn it with a match, then it is out of the way wholly. . . .

A further advance in Farrell's commercial

Pretended Standard Inventions

education and moral edification took place six months after the Oneonta episode. The poor fellow, selected no doubt for his blind fidelity, was told by his employer at Albany, McMillan, that a man called Starks at Troy, who had formerly been buying oil from the Standard, was then buying from Dauchy, an independent wholesale dealer, and that he must buy oil from Dauchy too, and cart it round after Stark's wagon and sell it at the wholesale price of 8 cents. In this way Farrell got about half of Starks's trade away from him, when the latter repented of his ways and recommenced buying from the Standard. On the prodigal's return Farrell was called off. I select a peddling case of this sort to justify my assertion that no low trick is too dirty or mean for the Standard's agents; to use a Transatlantic expression, they would take its candy from a two-year-old kid.

The idea of the "bogus independent" worked as a system is a most ingenious one, and could hardly have been invented by minds of any ordinary calibre. Here, however, the inventive genius of the Trust seems to end. It has been argued on behalf of the Trust that its commercial success has been in part due to the various new technical processes and other improvements which it has introduced—to the benefit alike of the trade and the consumer.

The Great Oil Octopus

For this theory there is no visible foundation, though it constitutes the staple material of the ordinary Standard Oil apologist. Long articles have appeared in American and English magazines, illustrated by pictures of the Standard's wonderful processes, and filled with majestic figures of the pipe lines, and tank steamers, and tank cars that it owns. The impression is adroitly left that the Rockefellers found a world of crude oil and made their millions by showing ignorant and backward competitors how to turn it into kerosene, lubricants, vaseline, and petroleum wax. The truth about this imaginative literature is gradually leaking out.

Pipe lines for oil transport are described as if they were a Standard invention. As a fact, as early as 1862 a company was incorporated in Pennsylvania for carrying oil in pipes or tubes from any point on Oil Creek to its mouth or to any station on the Philadelphia and Erie Railroad—the first record we have of the idea, which thus suggested itself within a reasonably short time after oil was first struck—namely, in 1859. Now, as we have seen, Mr. Rockefeller only went into the oil trade as his sole business in 1865, though he put money into it as early as 1862. Three short pipe lines were working in 1863 (Tarbell, vol. i. p. 17), and they were first made an undoubted success by a man

Tank Cars and Ships

named Samuel van Syckel, who completely revolutionised the oil business in 1864, the year before Mr. Rockefeller definitely took to it, by first pumping oil from the wells to the railroad through a 2-inch pipe at the rate of eighty barrels an hour.

The tank car has also been claimed as a Standard invention. Wooden oil tanks were first built (Tarbell, vol. i. p. 12) by a young Iowa school teacher almost immediately after oil was first struck, and they continued to be built by him for about ten years, when, finding that iron tanks were bound to supersede him, he retired from that business. Wooden and iron tanks, whether stationary or set on cars, were consequently a very natural development to meet the necessities of the oil-carrying trade, and, as far as I can make out, were probably running in 1869. Tank ships were an English invention, and their adoption for the Suez Canal was strongly opposed by the Standard in 1891.

Lubricating oil, also claimed as a Standard invention, is due to Mr. Joshua Merrill, a chemist, of the Downer Works. In 1869 he discovered a process for deodorising petroleum, and thus rendering it fit for lubricating purposes. He patented his process, and by it increased the sale of the Downer Works' lubri-

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cating oil by several hundred per cent. in a single year (Tarbell, vol. i. p. 22).

A whole batch of these shadowy claims was disposed of once and for all by Mr. J. D. Archbold's admissions under cross-examination in the Missouri case. Here is the official record of evidence on these points:—

Q. The Standard Oil Company did not discover the process at all, did it?

A. Oh, no.

Q. The process of making paraffin wax was in existence as early as thirty years ago, wasn't it?

A. Oh, it has been in existence a long time from the coal shales.

Q. Now, in the matter of a great many of these by-products, the independent refineries, so called, have done the same as you have, haven't they?

A. Oh, they have, undoubtedly.

Q. Take many of those that you testified to the other day—for instance, cylinder oil. The earliest manufacturers of cylinder oil were at Binghamton, N. Y., were they not—a Mr. Brill?

A. There was a very early concern there—a small concern.

Q. And he is still in business, isn't he, in Philadelphia?

A. I don't know.

Q. Leonard and Ellis were very early manufacturers of cylinder oil; isn't that true?

A. They were—yes.

Q. Then lubricating oil—it was made from the petroleum stock before 1870, wasn't it?

A. It was to an extent—yes.

Q. Spindle oil, I think, is one thing you testified about the other day. Wasn't that first introduced by the Downer Manufacturing Company, of Boston?

The Trust in the Dock

A. I think it likely. I do not know definitely. It probably was.

Q. Wool oil—wasn't that sold or manufactured by Paine, Ablett & Co., long before the Standard Oil Company combination or interests got hold of it?

A. It may have been. I could not say.

Was not vaseline made as early as 1860 by chemists in Cincinnati, Ohio, from petroleum products?

A. If it was I never heard of it. I did not know of it.

Such being the Standard Oil people's methods of dealing with their neighbours, how have their neighbours dealt with them? The plain answer to this is that their neighbours have simply "howled for their blood" for the past thirty-nine years, since the time, in fact, when the beginnings of the great conspiracy came to light in the detection of the South Improvement Company scheme in 1872. Since then the Standard Oil concern has had to face one public prosecution after another and to witness a long series of hostile demonstrations on the part of the public and of public inquiries directed by the Legislature that would have shamed any concern capable of ordinary decent feeling out of existence long ago. In 1879 the Standard Oil Trust was indicted for fraudulent conspiracy in Pennsylvania at the suit of the Petroleum Producers' Union, who were thick-headed and weak-kneed enough to accept a settlement out of court. In 1887 the Standard Oil Company of

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Ohio was prosecuted by the State Attorney-General—Mr. David K. Watson—for belonging to the Standard Oil Trust, an illegal combination in restraint of trade, and in 1892 judgment was rendered prohibiting it from being a party to any such Trust agreement. Ostensibly the liquidation of the Standard Oil Trust followed; in reality it pursued the even tenor of its way. In 1898 the Standard Oil Company of Ohio was again prosecuted by the State Attorney-General, this time Mr. Frank S. Monnett, for failing to obey the 1892 judgment, and the suit, or series of suits, was prolonged by every device on the part of the Standard till his term of office came to an end in January, 1900. His successor, John M. Sheets, suppressed the suits, but matters had been made so hot for the Standard Oil Trust that it took advantage of the lax company law existing in the State of New Jersey to change its style and title (including all its subsidiaries) into that of the Standard Oil Company of New Jersey. As such it carries on its old conspiracy against public law and the common weal just as before. In 1907 it was again prosecuted in the person of one of its subsidiaries, the Standard Oil Company of Indiana, for the same old charges of unjust and illegal railway discriminations, and condemned on August 3, 1907, to pay a fine of \$29,240,000 (£5,848,000). This fine

The Five Million Fine

was set aside on appeal on the ground that it had been assessed on the capital of the Standard Oil Company of New Jersey instead of on that of the Standard Oil Company of Indiana. On November 15, 1906, the prosecution, already more than once referred to, of the Standard Oil Company of New Jersey by the United States Government was commenced in the Eastern Judicial District of Missouri Circuit Court. The Company was convicted of conspiracy; it appealed, and the appeal was fixed for hearing in the Supreme Court of the United States during the October term of 1909. It was further postponed, however by the death of Judge Brewer, of the Supreme Court, and is now expected to be decided in a few weeks.

**THE TRUST IN AMERICA
AND ASIA**

"I know of nothing more despicable and pathetic than a man who devotes all the waking hours of the day to making money for money's sake."

JOHN D. ROCKEFELLER in "*Random Reminiscences.*"

CHAPTER IX

THE TRUST IN AMERICA AND ASIA

HITHERTO we have been dealing with the history of the Standard Oil Trust on its native heath, the United States of America. It is now time to pass in brief review some of its operations in foreign countries. It appears in many lands, this Protean conspirator, and always in some new guise. Here it is the pioneer and prophet of native oil; there it is the importer of vast floods of foreign oil. Itself protected by a heavy tariff in the United States, it poses in other lands as the chief of the apostles of free trade. It demands alike freedom to enter foreign oil-fields as a prospector and foreign oil markets as a retailer. In one country it is the advocate of high prices; in another it is the ruthless undercutter of its competitors. Always preferring secrecy to daylight, its underground agitations embrace the Press, the politicians, and the public. It

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is not always easy at first to discover who is behind a Standard oil agitation, but I shall give a few clues which may assist the student of oleaginous origins.

Turning first to Mexico, we find that the Standard's operations there have been conducted under the name of the Waters-Pierce Oil Company of Missouri, which is now after many years of falsehood admitted to be a tentacle of the Trust. The history of the re-entry of the Waters-Pierce Company to the State of Texas is a good example of the Standard's methods. There sits in the United States Senate one Joseph Bailey, a Democrat of the deepest dye. A lawyer, an orator, one of those pure-souled patriots who denounce in public the trusts and monopolies, Senator Bailey was exactly the man the Standard wanted. The full facts are given by Miss Ida M. Tarbell in an article in the *American Magazine* for January, 1908. The Texas Legislature passed a sweeping anti-Trust law; under it the Waters-Pierce Company was prosecuted from court to court until finally in March, 1900, the United States Supreme Court sustained the decisions of the Texas courts, and the Company was ordered to close up its business and get out. At this point Senator (then Congressman) Bailey appeared, and for a fee of \$3,300 (charged

The Trust in Mexico

on the Company's books to "profit and loss") succeeded in obtaining from the Democratic Attorney-General of Texas two months' grace. The Waters-Pierce Company finally transferred itself to a new Company of the same name, which took over the entire business of the original company, and Mr. Henry Clay Pierce, the manager, applied for a charter for the new one. He swore that it was in no way connected with the Standard Oil Trust, and that he owned 3,996 out of 4,000 shares. Largely through the influence of Congressman Bailey the new charter was granted. Four weeks later Bailey, who was always regarded as a poor man, was able to buy the splendid Grape Vine Ranch at Dallas, Texas, of 6,000 acres—a singular coincidence, to say the least.

The new Waters-Pierce Oil Company went on trading until in the Missouri proceedings in 1906 Mr. Henry Clay Pierce, the managing director, was at last forced on to the witness-stand. He there admitted that he only owned 1,250 shares of the new Waters-Pierce Company, and that the Standard owned 2,750. He admitted quite frankly that in order to evade the anti-Trust law of the State of Texas the Standard's 2,750 shares stood on the books in his name from May, 1900, to September, 1904. During this period the dividends were sent to

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Mr. Bayne, of the Seaboard National Bank of New York—a gentleman whose name my readers will recall as appearing in connection with the Standard's carefully concealed ownership of the Security Oil Company of Texas. In June, 1904, Mr. H. C. Pierce was asked to transfer these 2,750 shares to Mr. Van Buren, who happens, oddly enough, to be the son-in-law of Mr. J. D. Archbold, whose name has appeared so often in previous chapters.

During all this time that the Waters-Pierce Oil Company was posing as an "independent" business it was carrying on a very large and profitable trade in the adjoining Republic of Mexico. Although there are large natural deposits of petroleum in Mexico, the Waters-Pierce Company preferred to import crude oil from Texas and Oklahoma, refine it in Mexico, and sell it at a price which returned a profit of 600 per cent. on the invested capital. But the Mexican Government desired to develop the natural resources of the Republic, and as they were quite tired of the high prices of the Standard, which had a monopoly, they granted large oil concessions to the Pearson interests, which are headed by Lord Cowdray. The Pearson firm had executed large railway, waterworks, and harbour contracts for the Mexican Government, and they developed the

The Trust's Press Bureau

petroleum resources of Mexico so rapidly that the Standard, which was hampered by a duty of \$4½ a barrel on all the crude oil they imported, soon began to feel the pinch.

Then ensued the rate-war which lasted so many months in Mexico, but which is reported to be now compromised. The Waters-Pierce Company built a refinery in Mexico, and spent large sums in buying Mexican oil lands. They cut prices so heavily that they sold oil under cost, but the natural advantages of the Pearson interests were so great as to render them impregnable, and the Eagle Oil Company was successfully launched on the London market by Lord Cowdray's firm to carry out extensive developments on the oil-bearing lands they own. During the bitter contest there was plenty of evidence of the existence of the Standard's Press bureau, the head of which gets the liberal salary of \$12,500 a year. Articles appeared in London financial newspapers predicting the imminent ruin of the Pearson interests, and obviously intended to stop the English investor from backing their flotations. According to a statement recently published in the United States, a more subtle campaign seems to have been carried out against President Diaz, who favours the Pearson interests. Many officials of the Govern-

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ment, including a son of President Diaz, have become shareholders of the Pearson local oil company, being naturally desirous of developing their national resources and of fighting this American monopoly. Now under the title of "Barbarous Mexico," an ostensibly humanitarian campaign was opened in newspapers and magazines of the United States of America against the alleged harsh treatment of the Yaqui Indians by the Mexican Government. In the *Cosmopolitan Magazine* of March, 1910, it was categorically asserted by Mr. Alfred H. Lewis, one of the foremost American magazine writers, that this campaign had been inspired by the Oil Trust. They were determined to be revenged on President Diaz, and therefore they induced a number of well-meaning Americans—who haven't time to put down the public lynching of negroes in the United States—to plead the cause of the unfortunate semi-enslaved Yaqui Indians. I cannot prove this charge, but Mr. Lewis says it is believed by Americans resident in Texas and Mexico. From the nature of the case this allegation is difficult to substantiate, but for the present purpose it is a sufficiently significant fact that a writer of Mr. Lewis's reputation should believe that such a Machiavellian scheme is possible. That the Standard will stick at

The Railway Rebate in Canada

nothing appears from the fact that when Lord Cowdray visited New York in June, 1910, he was shadowed by their detectives. The Standard Oil Trust issued a formal denial of this charge, but Lord Cowdray repeated it and reaffirmed it in the *Daily Mail*.

Turning next to Canada, we find that the British flag has been no protection against the Standard's invasion. Here, too, railway discrimination was the principal weapon employed, and this was aided by the legislation which the Standard obtained at Ottawa permitting them to ship their oil along the international waterways and the Canadian canals in bulk steamers to Canadian ports, where it was easy to transfer it to tank cars. In 1898 the late Mr. Henry D. Lloyd, author of "Wealth Against Commonwealth," wrote as follows to the present writer with regard to these discriminations:—

My information came direct from the attorney of one of the principal Canadian refiners. This refiner carried on his business with my book at his elbow, and he told his attorney that precisely the things that I had exposed in that book were there and then being done to him. The discrimination was managed by some manipulation of the rates with regard to shipments in barrels. The Oil Trust had barrelling works of its own at certain points, from which it received rates at discriminations that killed the profits of the home refiners who did not have these central stations. The refiner I speak of was prosperous, liked the business, and would have continued in it

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but for this railroad discrimination. He made every possible effort by appeals to the railroad people in Canada to remedy the wrong, but found them as determined to favour the American Trust as railroads in the United States.

Finally the Standard clinched the matter by purchasing a Canadian refinery, which it runs as the Imperial Oil Company, a nice patriotic sort of name which no doubt appeals to the Canadian public. With this refinery and the railroad discriminations they are as powerful in Canada as they are in the United States.

When one turns to the Far East it is surprising to discover that the Standard has not had things all its own way. It does a huge business in China and Manchuria in case-oil, but it has there had to fight, first, Russian oil shipped in bulk, and, when that fell off, the competition of the Dutch East Indies. Several of these islands are very rich in petroleum, and, in my opinion, its failure to secure a footing there was the Standard's first great defeat. The story is told with commendable bluntness and candour by Mr. Robinson, British Consul at Amsterdam, in his annual report for the year 1897 (Foreign Office Consular Reports, No. 2,054). He says:—

At present a very important question has been raised by the attempt of the well-known American monopolist under-

The Benzine Battle in the Far East

taking, the Standard Oil Company, to acquire a footing in the Dutch East Indies by the purchase of the shares of the Moeara Enim Company, an important concession in Sumatra. An extraordinary general meeting of the latter company was to have been held in the last days of February for the purpose of ratifying the agreement with the Standard Oil Company, but the Dutch Government has interfered by the categorical declaration that no concession will be granted to a company under the control of the American monster monopoly, and the meeting has naturally been postponed. It remains to be seen whether the financial power of the Standard Oil Company can be effectively resisted by such steps, but the Government seems quite determined to use all possible means to this end, and the course which it has adopted will certainly be a popular one, threatened as Netherland India is by an "imperium in imperio" of this description. The agitation against the Standard Oil Company's monopoly, in so far as this inflicts on this country all the dangers and disasters caused by an exclusive supply of low-flashing oil, is a constantly increasing one.

The result was that the Moeara Enim Company were unable to sell, and the Standard has never been able to get into the Dutch Indies. Worse still, the Moeara Enim and two other Dutch petroleum companies were absorbed by the Royal Dutch Petroleum Company, and this in its turn became in 1907 allied with the Shell Transport and Trading Company of London, of which Sir Marcus Samuel is the head.

Briefly, the present position is that two new companies have been created, in which the

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Royal Dutch and the Shell Company hold all the shares. The Bataafsche Petroleum Maatschappij is a Dutch company with a capital of 80,000,000 florins, which carries on all the pumping and refining operations of the combine in the Far East, while a new English company, the Anglo-Saxon Petroleum Company, with a capital of £4,000,000, owns all the petroleum fields in which they operate, and also the very large fleet of tank steamers formerly owned by the Shell Company, in which their products are carried. They send into London alone 80,000 tons of petroleum spirit annually through the Asiatic Petroleum Company, their marketing agents. Last year the same combination sent 10,000,000 gallons of this motor spirit into the United States, supplying firms who were competitors of the Standard Oil Trust. In 1909 the Royal Dutch-Shell combine took over the business of many of their agents. For this purpose the Shell Company provided additional capital amounting to £440,000, the Royal Dutch put up £660,000, and the Asiatic Petroleum Company £200,000, making an additional outlay of £1,300,000 for one branch of their business. A large Roumanian oil company, the Astra, has been secured, and the Shanghai-Langkai Company, which operates refineries in Borneo, has also been bought

The Secret of the "Oil War"

out since the amalgamation of 1907. That amalgamation has apparently been profitable to those engaged in it, for the Shell Company's dividend, which had been only 5 per cent. per annum between 1903 and 1906, rose to 15 per cent. in 1907, 20 per cent. in 1908, and $22\frac{1}{2}$ per cent. in 1909.

Now the awkward part of this chain of events so far as the Standard is concerned is that the whole petroleum world has been turned upside down by the motor engine. In 1897 Mr. Paul Babcock, director of the Standard, told the Select Committee on Petroleum that they had in New York tanks full of naphtha which they could not sell. Mr. Bergheim, a well-known Galician oil producer, told a City meeting the other day that he could recall the day when his firm gave the naphtha to any one who would take it away. Then the Standard with its control of the tank installations and the selling agencies for reaching the consumer of illuminating oil (or kerosene) was the master of the world. Now the consumption of kerosene is threatened by electricity among the rich and slot-gas meters among the poor, and it is the despised naphtha (or benzine) which is in demand. Motor-cars, motor-cycles, motor-omnibuses, motor-lorries, aeroplanes, all these engines are demanding petrol, and it is the

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good fortune of the Shell combine that its crude oil provides a larger percentage of benzine than the Standard's American. While huge quantities of benzine, for which there is an increasing demand, are being sent to Europe by the Shell combine, the Standard is left with its monopoly of kerosene, for which the demand is decreasing. At the same time, the Sumatra and Borneo crude produces a very profitable percentage of petroleum wax, for which there is also an increasing demand, and there is a big market for the residue all over the Far East as fuel oil. This is the real secret of the recent "oil war," which has broken out chiefly because the Standard finds its supremacy challenged by wealthy and vigorous competitors, and is trying to use its vast accumulated profits in a "rate-cutting" war. The latest news in this connection was the intelligence that the Standard is attempting to repair its initial failure of thirteen years ago by obtaining petroliferous areas in Java and Sumatra. It proposes to do this through the medium of the Holland-American Petroleum Company of Amsterdam, which being nominally a Dutch company can legally acquire this property. Whether the Dutch Government which took so strong a stand against the Standard's invasion in 1897 will consent to be fooled by such

A Calumny

an obvious device as this remains to be seen. But the fact that the scheme has been initiated indicates the desperate straits to which the Standard is reduced for benzine.

This is not the first time the Standard has come into collision with the Shell. In September, 1904, the *New York Herald* published an interview with Mr. W. H. Libby, the foreign marketing agent of the Standard in New York. This was a long "puff" of the Standard, and contained the allegations that in the "rate-cutting" which had then been going on the Shell Company had been reduced to serious financial straits, and were selling oil falsely branded. As these allegations were entirely false, the Shell Company brought an action against the *New York Herald* in the English Courts for libel, which ended in 1905 in a complete victory for the victims of Standard Oil calumny. Mr. J. Eldon Bankes, K.C. (now Mr. Justice Bankes) stated on behalf of the defendants that they had made inquiries into the matter and found that the statements could not be substantiated, and [therefore withdrew, apologised, and paid the plaintiff's costs as between solicitor and client. As we proceed we shall find other points at which the Standard and the Shell have collided, but the vital factor in the present oil situation is

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the Sumatran benzine, which the Rockefellers failed to secure in 1897.

Passing to India, the Standard had to fight for years with the Russian oil exported in bulk through the Suez Canal, and is now pressed hard by the Burma Oil Company, an undertaking mainly under Scotch control, which has until recently had a monopoly of the Burma oil output. As there is a tariff on American oil in India from which Burmese oil is exempt, it was obviously to the interest of the Standard—which thoroughly believes in tariffs at home—to get behind that obstacle by being able to refine Burma oil and vend it in India. There is another reason, and that is the large percentage of petroleum wax which the Burma crude contains. There is a large and increasing demand all over the world for wax, which is used for candles, chewing-gum, the water-proofing of fabrics without rubber, and for many other commercial purposes. In its desire to get a footing in this promising field the Standard Oil Trust applied to the Indian Government for an oil-prospecting licence in Burma, and was much grieved when the Indian Government refused it. We come across that same Mr. W. H. Libby flitting about India. In November, 1902, the Calcutta correspondent of the *Financial News* reports that this gentle-

Standard Philanthropy

man was trying to induce the Bengal Chamber of Commerce to support his little scheme against the Indian Government. The correspondent gives us a pretty picture of Mr. Libby's virtuous protestations:—

The representative of the Standard Oil Company seems to wish the Bengal Chamber of Commerce to believe that the motives of his Company were not wholly mercenary—that, on the other hand, they were philanthropic, inasmuch as he says that “it was the intention of the Standard Oil Company to encourage as many Burmese natives as possible to enter the producing business, by aiding them in the employment of modern machinery and modern methods, by providing them with an immediate cash market for their crude oil, and by loans, if necessary, at very moderate rates of interest, to the end that production might be stimulated and an important industry created. The Standard hoped to derive its own profits by economies in refining, by materially improving the quality and value of the manufactured products, and by distributing the said products in India and other Oriental markets, where aggressive efforts might largely increase existing consumption.”

We know, of course, that the Standard has always been willing to encourage other people to undertake the risks of oil-well sinking, but the idea of stimulating this speculative business for the benefit of the natives of a semi-barbarous country is novel as well as captivating. When Mr. Libby's campaign failed in India he came to London, and his claims were pressed on the India Office by the United States Am-

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bassador in London, the Hon. Joseph Choate. As the Ambassador had often appeared for the Standard when at the American Bar, and as he had himself once stated that he was a shareholder in the Trust, we may be sure that his advocacy of the Standard's schemes in Burma did not lack either zeal or ability. But it failed, and the Trust cannot get into Burma. The imports of all classes of oils from Burma into Madras Presidency during 1909-10 amounted to £317,868, as compared with £212,982 in 1908-9. In the same period the imports of American oils decreased from £241,128 to £189,362.

RUSSIA, GALICIA, AND ROUMANIA

"One of our greatest helpers has been the State Department in Washington. Our ambassadors and ministers and consuls have aided to push our way into new markets to the utmost corners of the world."

JOHN D. ROCKEFELLER in "*Random Reminiscences.*"

CHAPTER X

RUSSIA, GALICIA, AND ROUMANIA

PASSING next to Russia, there is no doubt that in the past this was a far more dangerous competitor of the Standard than it now is. The Baku output was at first so tremendous that it seriously disarranged the Standard's calculations, and when first Russian shipowners and afterwards Sir Marcus Samuel proposed in 1891 to ship Russian oil in bulk in tank steamers to the Far East, a perfect panic seized the Standard. Immediately one of those bogus agitations, in which it excels, broke out with great virulence. Not only was the shipping community thrilled by the supposed dangers to other vessels of conveying oil in bulk through the Suez Canal, but the British nation was once more warned of the dark and malevolent designs of Russia against "our highway to India." Nothing could be more amusing than this waving of the Union Jack over the

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designs of the Standard Oil Trust, but we shall see the same "patriotic" imposture reappear in the flash-point agitation a few years later. The Standard was at this time supplying its Far Eastern markets with "case-oil," packed in tin cans, which was, of course, a more expensive method of transit than the large tanks of the bulk-oil steamers, and the agitation against the new scheme was carried to the Foreign Office. The story is told (without unduly emphasising the Standard's share in it) in Mr. J. D. Henry's well-known work, "Thirty-five Years of Oil Transport" (Chaps V. and VI.). Messrs. Russell and Arnholz, solicitors, wrote to the Foreign Office, urging the Government to use their influence through the British directors of the Suez Canal Company to prevent the transit of bulk oil. Lord Salisbury asked them for whom they were acting, and received this very significant reply:—

In view of the opposing commercial interests engaged, and the fact that the true promoters of bulk transit have not yet declared themselves, we respectfully submit that without pleading the privilege of our profession it would be imprudent on our part to permit our clients to disclose their names.

In the reply which the British directors of the Suez Canal Company forwarded to Lord

The Foreign Office

Salisbury, this coyness on the part of the Standard was thus commented on:—

They decline to give your lordship any clue for the present as to the names of their clients, but an expression in their letter of November 10th, which describes the passage of petroleum in bulk as a disturbance of the regular and safe case trade, leads to the inference that they are pleading the cause of parties engaged in sending petroleum through the canal packed in cases, and whose interests they appear to think may be damaged by facilities being given for the more economical conveyance of petroleum by these tank ships.

The Foreign Office then informed Messrs. Russell and Arnholz that Her Majesty's Government could not take action in the direction they desired without full information as to what British interest they represented in the matter. As the Foreign Office thus declined to become a Rockefeller catspaw, somebody organised a memorial by merchants and tinplate manufacturers in Wales, where the Standard still buys most of the material for its cans, and another by shipowners who at that time were being chartered to carry case-oil to the East for the Standard. Finally, Sir Frederick Abel and Mr. (now Sir) Boverton Redwood prepared a report for those British shipowners who were hostile to the bulk carriage of oil through the Canal. Sir Frederick Abel was a chemist who

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constantly gave evidence on behalf of the Standard Oil Trust when it needed an expert, and Mr. Boverton Redwood had been from 1870 till just before this period (1889) the salaried chemist of the Petroleum Association, a trade body whose members vended the Rockefeller oils. Mr. Redwood was subsequently for a considerable period regularly employed to test oil cargoes on behalf of the Anglo-American Oil Company, and he gave evidence against raising the flash-point of lamp oil before the Petroleum Committee of 1896. His presence on the scene is sufficient to satisfy anybody in the oil trade as to what was the real origin of this benevolent agitation against tank steamers. While this gentleman was still in Egypt Sir Marcus Samuel artfully published in the *Times* an extract from a paper Mr. Redwood read to the Institution of Civil Engineers, in which he said :—

The tank storage of kerosene oil has undoubtedly a great advantage over barrel or case storage in the event of fire.

Mr. Redwood was thus rather neatly cornered, for he had to admit in his report that this statement was still true. So he had to lay the chief stress on the danger of burning oil escaping on to the water—which the experience

Safe Transit

of nearly twenty years has proved to be a very trifling risk. The directors of the Suez Canal Company took a very accurate measure of this report when they replied:—

Without entering into the question whether the work of Sir F. Abel and Mr. Boverton Redwood is not merely a criticism of our regulations *bearing too exclusively the impression of the anxiety of parties interested in the present mode of transporting petroleum to the East, we, &c.*

After this the agitation fizzled out, and the transport of oil in bulk still continues. The subject was referred to at the Institution of Civil Engineers in February, 1894, when Mr. (now Sir) Fortescue Flannery invited Mr. Boverton Redwood to state how his prophecies on the carriage of bulk oil through the Canal had been fulfilled. Mr. Redwood replied thus (*Proceedings Inst. C.E.*, vol. cxvi. p. 250):—

He could only say that if, *as appeared to be the case*, the transport of petroleum through the canal had been going on with entire absence of anything approaching to an accident, he was very glad to hear it. He did not know, however, that that was to be taken as absolute proof that no risk existed. Time alone, and a longer time than had as yet elapsed, would demonstrate that.

Nearly twenty years have now elapsed; the Standard Oil Trust itself has tank steamers

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which convey oil through the Canal, and Mr. Henry in his work shows that between 1892 and 1906 2,000,000 tons of oil were thus transported.

With the collapse of its artfully engineered agitation on this subject the Standard next turned its energies to diplomacy. It devoted great arts to Ludwig and Manuel Nobel, the millionaires who had grown rich out of the "gushers" of Baku, and cherished dreams of becoming the Rockefellers of Russia. The Standard's emissaries played on their vanity and induced the Nobels to form the Russian Refiners' Union, which 80 per cent. of the trade had entered in 1894. The idea was that the Russian export output should be limited to an amount agreed with the Standard, and that Nobel Brothers were to be the sole agents in Europe. Each refiner was to send out a certain quantity of oil according to the capacity of his refinery. At the same time there were certain distributing firms in Europe which had been dealing chiefly in Russian oils, and as Nobel Brothers did not require them, the good, kind Standard agreed to buy them up. It is in this way that the Italian Petroleum Company, the Bremen-American Company, and Reith & Co. of Antwerp (all mentioned in my list of

The Nobel Agreement

foreign marketing companies) came under the control of the Standard. At the same time they acquired the Kerosene Company, which had a great storage installation close to the Anglo-American plant at Purfleet. The Trust continued to run these businesses in their old names, and it was some time before the truth began to leak out. Production in Baku was at that time so tremendous that before the three years during which the union was to last had expired, the Russian refiners were quite tired of it. Then the pleasing result was realised that, with the exception of Nobels, none of them had any selling organisation in Europe, and that the Standard had so perfected its control of the kerosene trade that people who wanted Russian oil could only get American. The first firm to take action were the Paris Rothschilds, who are the owners of the Caspian and Black Sea Company at Baku, and next to the Nobels the largest refiners in Russia. They established in 1898 in this country at vast expense a new selling organisation called the Anglo-Caucasian Oil Company, afterwards merged in the Consolidated Petroleum Company, and a vigorous contest took place for their share of the English kerosene trade.

The Russian oil trade has always been a commercial switchback. At the time just

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mentioned the Rothschilds and Nobels were exporting largely to Europe, and the Mantascheffs were sending large quantities of Russian oil to the Far East. Then came the Baku riots of 1905, when murder and incendiarism stalked through the oil-fields and the production fell off tremendously. It was a stroke of luck for the Standard, for it crippled their (at that time) strongest rival. Since that day the exports of petroleum from Baku have not been large, most of the reduced output being consumed in Russia, where oil fuel is used far more extensively than it is here. Then early last year came the Maikop "boom," a vast number of French and English companies being floated to work oil on the borders of the Black Sea. The majority of them will never produce a barrel of oil, but the good properties will soon be pumping oil, and their product is bound to have its effect on the European market. Hence no doubt the Standard's second reason for embarking on the recent oil war—the desire to stifle these infant companies at their birth, when they are still subject to the diseases of inexperience, experimental work, and bad management.

Passing next to Austria, we find the Standard operating in the Galician oil-field, the production of which has risen from 214,800 tons in 1895

The Vacuum Company in Austria

to 1,734,235 tons in 1908. The story is told in the Foreign Office Report on Austria-Hungary for 1908 (No. 4,355 Consular Reports). There was an enormous production in 1908, but the State railways could not use the raw oil in its locomotives until the benzine was extracted. This is our Consul's narrative (p. 15):—

The Producers' Association, however, had not the capital to build the necessary works for this process or the new reservoirs required, and at this stage the Standard Oil Company of America saw an opportunity to extend its influence in Austria. The American company entered into negotiations with the association and offered to erect the factory for extracting the benzine, and further to build the new reservoirs and lease them to the producers, who would, in return, have to supply raw oil to the Standard Oil Company's representatives in Austria at a special price. An arrangement on these lines, which would have given the American Combine a predominating influence in the Austrian oil industry, was on the point of being signed when the Austrian Government intervened in June, 1909, to prevent it by undertaking to carry out the necessary works itself on much easier terms for the producers. . . .

By this arrangement the Standard Oil Company has been entirely excluded from the business of supplying the State railways with oil; but the Austrian Government has gone further in its desire to protect the Austrian oil industry from the competition of the American Trust, which is represented here by an affiliated company [*i.e.*, the Vacuum Oil Company, of Austria, a branch of the Vacuum Oil Company, of Rochester, N.Y.], and has introduced a Bill in the Reichsrat containing various provisions aimed directly at the Standard Oil Company. Thus a concession will in future be necessary for carrying on the business of storing, handling, and refining raw oil, and the provincial authorities are able to refuse this at their discretion.

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Further, the distribution of petroleum by means of tank carts is only to be allowed by permission of the Ministry of Commerce. The tank carts were recently introduced into Austria by the representatives of the American Trust, but met with great opposition on the part of the trade because they rendered the middleman superfluous, and there is little doubt that the Ministry will not give the permission required.

The *Times* Vienna correspondent on September 14, 1910, reported further developments of this war against the Standard. It appears that there is also operating in Galicia a certain Limanova Petroleum Company, which, though registered as an Austrian company, has about £500,000 of French capital invested in it. It has been working "in some sort of unconfessed relationship with the Vacuum Oil Company," and the *Times* correspondent tells us how the Rockefellers have been forced to swallow their favourite medicine. He writes:—

The object of the Standard Oil and its affiliated companies in Austria (as in other countries) is to obtain control of the Galician oil-fields, which are worked chiefly by a large number of Austrian producers and refiners organised in a loose ring or trust. The tactics of selling oil at or below cost price currently employed by the Standard Oil Company to kill its competitors or to bring them to their knees appear to have been employed both by the Vacuum and the Limanova Companies.

Some months ago the Austrian Government intervened to protect the Austrian producers and refiners, and applied to the Limanova Company in particular methods of adminis-

A Rebuff

trative chicanery and railway discrimination strikingly similar to those which made the name of the Standard Oil Company a byword in the United States. The tactics of the Austrian authorities are as indefensible, or as defensible, as are those of the Standard Oil Company.

The Standard did not enjoy railroad discriminations applied to itself, and it not only made unavailing representations to the Austrian Government through the United States Minister at Vienna, but, acting through the French shareholders in the Limanova Company, they induced the French Minister to remonstrate with Austria.

These representations having produced little effect, the French Government is now stated to be about to adopt measures of retaliation, and to impose a prohibitive tariff upon Austrian petroleum imported into France.

In order to help the Standard Oil Trust to crush out the Galician oil industry, the French consumer was to pay more for the petroleum products, ozokerit, &c., that he buys from Austria. But this scheme has failed, for on November 9, 1910, it was announced in the *Neue Freie Press* (quoted here by the *Financial Times*) that the Limanova Company had surrendered. It has agreed to give up all business transactions with the Vacuum Company, not to sell directly or indirectly to them either crude

The Great Oil Octopus

oil or the products of petroleum, and not to make use of the selling agency of the Vacuum Oil Company for the sale of its own products. It has further agreed not to undersell the other Galician refiners, and the Austrian Government has therefore cancelled the discriminations referred to which it employed against the Limanova Company. Deserted thus by its French ally, the Vacuum Company has to rely on itself, and it is announced that the United States Government has sent a special envoy to Vienna to discuss with the American Ambassador, among other things, the differences between the Austrian Government and the Vacuum Oil Company. It looks as though the Austrian Government is going to win in its struggle with this unscrupulous monopoly, and that the Vacuum Oil Company will have to climb down.

In the neighbouring country of Roumania the Standard has waged a bitter war for the control of the oil industry. The output of oil in Roumania has been increasing very largely—it trebled in quantity between 1895 and 1900 and as it has a high flash-point the Standard wanted to get control of the field in order to supply its Italian and Mediterranean market. When its agents appeared first on the scene, Roumania had one large refining company—the

“Boodle” at Bucharest

Steana Romana—which dealt with about two-thirds of the native crude oil. The wells were all, or nearly all, in the hands of small proprietors who were unable to sink them deep enough, and whose ability to market their oil was hampered by the high railway rates and deficiency of tank cars. The Standard came forward with a proposal to build a pipe line from the fields to its proposed refinery, but fortunately for Roumania its statesmen had heard of the Standard's American record, and they refused to allow it to thus obtain entire control of the national output. It was allowed to build a refinery, and it bought certain oil-wells from the owners, but the pipe-line project was decisively ruled out. Strange conversions went on at Bucharest when the Standard's lobbyists put in their fine work. Politicians and newspapers which had opposed the Standard were converted from the error of their ways in the manner with which Mr. Archbold has made us familiar, but the Standard was unable to secure any special privileges. By this time the Deutsche Bank, which controls the Steana Romana, had taken an active interest in the matter, and formed some sort of alliance through the European Petroleum Union with the Shell-Royal-Dutch combine, and the Rothschilds, the Mantascheffs, and Gukasoffs of Baku. The

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terms of this alliance are unknown, but very keen rivalry has been going on in the Roumanian oil-field, and only last year the Shell-Royal-Dutch party purchased a large Roumanian oil company, the Astra, which is now valued at £1,200,000. In the spring of 1907 the Standard came to a "selling arrangement" with the European Petroleum Union, and this was followed by a similar arrangement with the Asiatic Petroleum Company, whose capital is equally held by the Shell Company, the Royal Dutch, and the Paris Rothschilds. Just how far the European Petroleum Union is involved in the "rate-war" which has broken out between its twin the Asiatic and the Standard is unknown, but as the Deutsche Bank is largely interested in Galician oil-fields where such a bitter fight has been going on with the Standard for some months, it is probable that the whole combination must ultimately be involved if the "oil war" lasts much longer. Sir M. Samuel has stated that the Bataafsche Petroleum Maatschappij and the Anglo-Saxon Petroleum Company, Ltd., distributed in dividends in 1909 £1,500,000, and that the profits for 1910 will not be lower, so that apparently that contest has not seriously affected the Shell-Royal-Dutch combine.

**THE TRUST IN GERMANY,
SWEDEN, AND FRANCE**

“We are always short of men to do the things we want to do—young men who are honest and therefore loyal, men to whom work is a pleasure; above all, men who have no price but our price. To such men we can afford to give the only things they have not got—power and money.”

H. H. ROGERS to T. W. Lawson in “*Frenzied Finance.*”

CHAPTER XI

THE TRUST IN GERMANY, SWEDEN, AND FRANCE

IN Germany the Standard was artful enough to strengthen its position by acquiring existing oil companies and retaining certain prominent German oil merchants as shareholders, thus breaking to some extent the force of the natural outcry against itself as an alien corporation. In the case of its English companies, very few shares are held by anybody resident in England, and even these are mostly Americans, but in Germany they are more cautious. There has been a great controversy as to the adoption of tank railway wagons and tank installations on the Prussian State railways. It is obvious that these methods will cheapen the transit of oil, but it is also obvious that they will play into the hands of the Standard, which with its vast capital is able to establish extensive installations of this

The Great Oil Octopus

kind, and to prevent its smaller competitors from reaching the market.

Public opinion is the more suspicious of these gentlemen because of the remarkable revelations made last year with reference to their branch—not included in the list given in Chapter I.—which is called the German Vacuum Oil Company. The disclosure in question is so thoroughly in keeping with what is already known of the doings of the Standard in other parts of the world that it fully bears out the opinion already expressed, that the great octopus is always one and the same in its methods irrespective of time and country. It goes all the lengths it is permitted to go. It has gone, as will be seen, pretty far in Germany, though the State railway system renders rebates impossible there, and as Germany is so close to our own doors the lesson is one we may well take home to ourselves.

In the early autumn of 1909 Mr. F. Hildebrandt, the editor of the *Hamburger Fremdenblatt*, whose attention had been called to the doings of the German Vacuum Oil Company, and who had been led to investigate the matter, published a vigorous attack on that Company in his columns. We of course know that the Vacuum Oil Company, Ltd., is in England merely a tentacle fixed on the body of John

German Vacuum Oil Company

Bull through which suction is applied from 26, Broadway, New York. But the Hamburg Chamber of Commerce were in blissful ignorance until quite recently that the German Vacuum Oil Company was only the particular limb of the monster that had settled down on Germany. It reported not so long ago to the Friedrichsort Torpedo Works at Kiel that the Vacuum was a German company, though it might have learnt differently if it had taken the trouble to look into the Handelregister, or German public registry of commercial companies. There it would have found among the names of the chief shareholders Messrs. J. D. Archbold, C. M. Pratt, and C. M. Everest, the well-known Standard men who were registered as the original directors of the Vacuum Oil Company of Rochester, N.Y., the Company whose connection with the Buffalo arson prosecution has been explained in Chapter VI. Their connection with the Vacuum Oil Company, Ltd., of London will be explained in a later chapter. Two other shareholders of the German Vacuum Oil Company, J. C. Moffet and C. E. Bedford, also belong to the Standard.

The main allegation put forward in the *Fremdenblatt* by Mr. Hildebrandt was that the German Vacuum Oil Company was selling precisely the same quality of lubricating oil

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under various fancy names and at different prices, according to differently imagined utilities to its German customers, and securing preference being given to its goods by bribing engineers and foremen right and left to advise their employers in their favour. The simple change of a label seemed to have such a marvellous effect on the intrinsic quality of the Vacuum lubricator that in some cases it justified a rise of 25 per cent. in price, and even higher. The "Etna" brand of lubricating oil, for instance, was a poor thing that sold at 41 marks per 100 kilos for ordinary smearings, but when an important firm gave an order for a superior article such as the "Gas Engine E" or "Viscolite" oil they received the same old "Etna" oil duly labelled "Gas Engine E" or "Viscolite" at the correspondingly superior price of 56 marks and 62 marks respectively. Acting on this denunciation, the Public Prosecutor intervened, ordered an inquiry, and summoned Mr. Hildebrandt to produce his evidence, but not before Dr. Oscar Ruperti, a director of the Vacuum in Hamburg, had taken a personal action for libel against Mr. Hildebrandt, who in his turn had taken an action against Mr. E. L. Quarles, the American manager of the Vacuum in Hamburg, and Dr. Pölchau, who was both legal counsel and brother-in-law to

Re-Branding

Dr. Ruperti. These personal actions appear to be still pending, but the action instituted by the Public Prosecutor was carried as far as a judgment, of which the following is a translation :—

Record Number : F. IV., 860/10.

JUDGMENT.

On the motion of the Public Prosecutor, the accused, Edward Louis Quarles, is discharged with reference to the accusation of fraudulent practice, on the ground of insufficient proof. The costs of the action are charged to the State.

GROUND.

The preliminary inquiry was opened against the accused on his appearing suspect at Hamburg and elsewhere—

1. Of having in the years 1906–08, in conspiracy with the merchant E. O. Wader, now absent, defrauded the State Electrical Works at Kiel of 2,826 marks 5 pfennigs by delivering to the works, instead of the brand “Vacuoline,” which was ordered, at the price of 75 marks per 100 kilos, the description “Fusoline,” which only cost 44 marks per 100 kilos, under the brand of “Vacuoline.”

2. Of having, since the year 1905, defrauded numerous customers of the German Vacuum Oil Company by representing in the Company’s price-list that the descriptions of oil “Gas Engine E and F” and “Gas Engine I and Heavy” are a more valuable article than the descriptions “Etna” and “Fusoline,” quoted in the price-list at 44 marks per 100 kilos, whereas the two latter descriptions are identical with the two former respectively.

As to the charge of fraudulent conspiracy to the detriment of the Kiel Electrical Works, it has not been proved that the accused Quarles bears the responsibility of changing the cheaper brand “Fusoline” into the dearer brand “Vacuoline.” The order to effect this change in the branding was given at a time when the accused Quarles had not as yet a seat upon the

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board of the German Vacuum Oil Company, and had nothing to do with the Hamburg branch. At the end of 1906 or the beginning of 1907 the accused had, of course, learnt of the changes being made in the brandings from the then manager of the Hamburg branch, Earnshaw. But at that time also the accused had nothing to do with the Hamburg branch office, and was not called upon to prevent what was in his view an incorrect rebranding. Also, he had nothing to do himself with the changing of the brand. It has not been proved that after the accused had taken a seat upon the board of the German Vacuum Oil Company that the rebranding of "Fusoline" as "Vacuoline" was still carried out with the knowledge and consent of the accused.

As to the rebranding of the cheaper descriptions of oil "Etna" and "Fusoline" as "Gas Engine E and F" and "Gas Engine F and Heavy" respectively, the preliminary inquiry has tended to show that "Gas Engine I and Heavy" consist of different components to the other brands, and are consequently not identical with them.

The brands "Etna" and "Gas Engine E" are, of course, identical, as is "Fusoline" and "Gas Engine F." But a fraudulent method of trading could only be found to exist in the different branding if it were established that these like descriptions were delivered under different brandings and different prices to one and the same customer. It has not been possible to establish that. The accused also cannot rebut the allegation that he gave it as his opinion that the differentiation in prices was justified by the different way in which the two oils were used, the higher running expenses for "Gas Engine E and F," and greater risk encountered by the users of these two brands.

Hamburg, May 30, 1910.

The Landgericht, Second Criminal Chamber,

(Signed) GOSLICH, LOHMEYER, SICK.

For the correctness of the copy:

Hamburg, July 9, 1910.

The Chancery of Public Prosecution,

(Signed) Voss, Chancery Clerk.

Bribery

It will be seen at once that the judgment exculpates Mr. Quarles personally, but obviously inculcates the German Vacuum Oil Company, by assuming that the practices alleged had taken place, though there was not evidence to connect Mr. Quarles with them.

Mr. Hildebrandt makes great capital, in a pamphlet he has published, out of the regular Standard Oil practice of bribery, with which the German public seems to have been quite unfamiliar, but in which their education must now have been pretty well completed, to judge from the mass of evidence adduced in the Hildebrandt book. Some of it is entertaining enough and edifying enough for British consumption, particularly as it relates to a cousin-German of one of our own Standard Oil subsidiaries. Here is the text of an affidavit made by Mr. Hans Schnell, who had formerly been a representative of the German Vacuum Oil Company :—

I, the undersigned, hereby declare and am ready to testify on oath that from September 15, 1906, to March 31, 1908, I was in the employ of the German Vacuum Oil Company of Hamburg, as representative for the Dresden branch, and later for Lower Silesia, on a fixed salary of 200 marks a month and also confidential expenditure and commission. This commission I had for the most part to pay over to machine-men, partly in cash, partly in goods, in order to bring off new business, and in some cases to maintain business relations

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heretofore existing. I was told by Mr. Naerger, the correspondent for Breslau, in the branch office in that city of the German Vacuum Oil Company of Hamburg, the names of the firms whose machine-men were to receive bribes from me. Also Mr. A. S. Mié, of Dresden, director of the Vacuum Oil Company, told me in a way that could not be misunderstood that I was to expend these commissions in this way, and that if I had paid over no bribes in money or goods to the machine-men of the firms I had to call on I would have had scarcely any new orders, and would have lost the old business connection.

Dresden, November 4, 1909.

(Signed) HANS SCHNELL.

The above signature of Mr. Hans Schnell, Wilhelmruh, near Berlin, merchant, was done in my presence, and I hereby officially certify that it is genuine.

Dresden, November 5, 1909.

(Signed) HORST VON MUELLER-BERNECK,
Royal Saxon Notary, Dresden.

In further illustration of Mr. Mié's efforts, Herr F. Hildebrandt publishes a photographed bill of expenses incurred by that gentleman in establishing and keeping up the German Vacuum Oil Company's business connections, and no doubt incidentally of establishing a reputation for himself among engineers and machine-men generally of being a thoroughly jolly fellow. This document will, perhaps, help us to understand why so many working engineers select the Vacuum oils, when no chemical test known to science will indicate any superiority. Its translation is as follows:—

“Schmiergeld”

	M.
Evening with Mr. Pampel and Obersteiger Hohner ...	42
Evening with Mr. Mié	28

[NOTE.—We had invited these gentlemen, and threw about a good deal of money in order to accomplish something. Besides the M. 28 entered here I added M. 48 out of my own pocket, which I have had entered in my own account.—(*Signed*) MIÉ.]

Cash, Mr. Müller, foreman	100
Cash, Mr. Plaintz, engineer, of Gustav Toelle ...	50
Foreman of S. Wolle	5
Cigars for foreman Müller	12.50
Cigars for foreman Hortenbach	6.25
Carriage and beer—call on Hortenbach	10.30
Wine, dinner, cigars, &c., with Hortenbach	35.20
Cash, Mr. Hortenbach	20.00
Total	M. 309.25

Mr. Hortenbach seems to have taken a good deal of lubricating. Apparently his machinery remained immovable under the influence of wine, dinner, and cigars, and it became necessary to put twenty marks in the slot in order to make him work.

How Mr. Hildebrandt got hold of this bill, or petty-cash ticket, he does not say, but he evidently takes a sinister view of the junketing disclosed, and regards the money spent upon it as so much “Schmiergeld,” to use the appropriate word employed by Mr. Schnell in his affidavit. The only English translation for

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“Schmiergeld” is “bribe” — no doubt a very frigid and colourless word. “Smearing-money” would be more descriptive and picturesque as well as literal, though for absolute neatness of expression joined to pregnancy of meaning the Italian circumlocution for the ugly word “bribe” of “oglio di palma,” or palm-oil, beats the German. “Lubricating oil” seems an apt English equivalent.

Mr. Hildebrandt also publishes a letter on this subject from one of the Vacuum Oil Company representatives, which seems to have attracted some attention in Kiel:—

KIEL, *November 12, 1903.*

The German Vacuum Oil Company, Hamburg.

I beg to acknowledge receipt of yours of the 10th of this month, the contents of which I note. With reference to my expenditure as your representative, I gave the Flensburg Ship-building Company last month alone some 190 marks for gratuities and introductions to the three foremen. Then I gave 50 marks to the head man at the Kiel Electrical Works. As to the smaller expenses incurred as your representative, I cannot remember them now, but they will be found in my memoranda of extra expenses.

Yours truly,

HUGO COHR.

The Vacuum Oil people have always liked to be on good terms with the engineer

Foremen's Gratuities

the actual mechanic who has to see to the application of the lubricating oils to the machinery, and whose opinion on their merits is naturally deferred to by his employers. Mr. Heinrich Gremmler, a director of the German Vacuum Oil Company, and manager of the Berlin branch, wrote, under date June 20, 1908, by way of instruction to one of his agents, in one of the letters photographed by Mr. Hildebrandt: "Try and get at what you want through the foremen—that is, by indirect means. There is no need at all for me to tell you on what spot you may put your hand upon success." Mr. Hildebrandt took all this up in a very unkind spirit towards the German Vacuum Oil Company, and spoke of it as bribery, whereupon Mr. Gremmler called upon him, he says, and denied indignantly that the Company practised bribery. In fact, the Company published a document in its defence against this charge signed by Dr. Ruperti, one of its directors, in which, while it did not go so far as to state that it never practised bribery, it declared, at any rate, that "it was incorrect to say that the German Vacuum Oil Company had introduced the gross practice of bribery into German trade as a system, and that it had succeeded by means of bribes in obtaining permanently higher prices for

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its oils." The studious moderation of this defence strikes me as remarkable. The Company, however, also took occasion to state that it never put any employee into its selling business except on a contract containing this passage:—

You pledge yourself in dealing with the employees of our customers most carefully to abstain from any transaction that has even the appearance of corrupt influence. Any action contrary to this regulation is a special reason for instant dismissal.

But Mr. Hildebrandt unkindly suggests that this is only another way of saying "Don't nail his ears to the pump." He also says that after the publication of the Hugo Cohr letter in Kiel, the Vacuum Oil Company was struck from the list of those invited to tender for the supply of oils to the municipality. The British public and the proprietors of British engineering works must form their own judgment in the matter, but they will at any rate see that, for one reason or another, the Vacuum Oil people have conceived a deep affection for the German working man.

These revelations are the more interesting because there are similar stories from other countries where the Vacuum methods have been introduced. The *Morgenblad*, of Stockholm (quoted in the English shipping organ

The Swedish Navy

Fairplay of July 22, 1909), gives an account of the methods of the Vacuum Oil Company, of Sweden, another of the Everest group. The Stockholm newspaper states that the Civil Commission appointed to inquire into the buying of naval stores has in its possession several letters from the Vacuum Oil Company of Sweden to engineers in the Swedish Navy. These letters contain advice to enable the engineers to prove to their superior officers, who possess less knowledge of the subject, that other lubricating oils are inferior to those vended by the Vacuum Company. One letter runs: "It is very easy to do this by only tightening the nuts a little, and the bearings will soon become hot."

The sensation created by the publication of these letters caused the Chancery of Justice, the highest judicial authority in Sweden, to order the Chief of the Criminal Police in Stockholm (Mr. Lars Stendahl), who is also an officer of the Municipal Treasury, to hold a general inquiry with plenipotentiary authority as to the summoning of witnesses. This was on May 18, 1909, and on June 5th following the King of Sweden confirmed this Commission, and added two other Commissioners, Messrs. J. Th. Akerström and Fr. S. Eriksson. In the beginning of September, 1909, Mr. Stendahl's report was issued, which

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proves by an abundance of sensational and at times amusing evidence that the so-called Swedish Vacuum Oil Company is identical with that of Rochester, U.S.A., that it has evaded Swedish taxation, fraudulently rebranded cheaper as dearer oils, and by a very curiously concealed system of bribery induced engineers of the Royal Navy to diminish the effectiveness of their service.

In the result the Company lost all its Government contracts, but escaped further proceedings, as Swedish commercial law in its previous innocence of the "real smart" methods now introduced to backward old Europe by the Standard Oil apostles, had utterly failed to provide penalties to meet the case. From Norway, in September, came the news that the last independent refinery had been acquired by the Standard, that much public indignation had been aroused among the hardy Norsemen, and that steps were being taken with the support of the Government to build at once an independent refinery.

In France, where there is a heavy duty on refined petroleum, the Standard has established a refinery, which has given it a monopoly of the benzine trade. The latest news last September was that the French Government has been induced to reduce the

France, Sweden, and Norway

import duty on Dutch East Indian benzine from £1 to 10s., and this has enabled the Royal Dutch combine to start a refinery in France for the purpose of competing with the Standard. As I have explained, the Sumatran and Borneo crude provides a higher percentage of benzine than the Standard's American crude, and there is no doubt this move will prove a very awkward one for the latter.

THE TRUST'S "TIED HOUSES" IN
ENGLAND

“According as you put something into the Church or the Sunday-school work the greater will be your dividends of salvation.”

JOHN D. ROCKEFELLER *in a Sunday-school address.*

CHAPTER XII

THE TRUST'S "TIED HOUSES" IN ENGLAND

I HAVE reserved until the end of my survey the examination of the Standard Oil Trust's operations in Great Britain, because, as they have not been investigated so closely here as they have been by various Legislative Committees in the United States, there is less official testimony to proceed upon. Many of the Trust's intrigues and agitations here can only be understood by remembering what has been proved by direct testimony to have taken place in similar circumstances in the United States. In this way our preceding examination of the secret rebate, the bribery, the underselling, and all the other machinery of the Trust in its native home, will help us to understand a few things which are still obscure here.

During the time when the Trust was growing up in America, the British consumer and the British oil-dealer were alike blissfully uncon-

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scious of what was in store for them. For the first English news of the Trust we must turn to the evidence provided by Mr. (now Sir) Boverton Redwood, the distinguished chemist, whose subsequent appearances at so many public inquiries as a Standard Oil witness have been fitly rewarded by his selection as Petroleum Adviser to the Home Office!

This takes us back to the years 1877-8, when Mr. Boverton Redwood was the Secretary of the Petroleum Association, and visited America at their request to induce the American refiners to adopt the Abel (closed) tester in standardising their oil, and also to complain of certain impurities which were appearing in their consignments. With regard to the first, Mr. Redwood's report to his association shows that he conducted experiments with the Petroleum Committee of the New York Produce Exchange which satisfied them with the Abel tester, and we read that Mr. Paul Babcock took great interest in these experiments. Mr. Babcock was then a director of the Devoe Manufacturing Company, about this time bought by the Trust, and twenty years later he and Mr. Boverton Redwood met in London, both giving evidence before the Commons' Petroleum Committee against raising the flash-point of kerosene. Mr. Redwood met in 1877 a number of other

Mr. Redwood in America

persons whose names will be familiar to readers of my narrative. He, for example, visited the refinery of Messrs. Charles Pratt & Co., through the kindness of Mr. H. H. Rogers, and when he left New York he carried letters of introduction from Mr. Wm. Rockefeller, Vice-President of the Standard Oil Company, to Colonel Payne, its Treasurer, in Cleveland, Ohio. Indeed, Mr. Redwood's tour seems to have been in the main a Standard Oil excursion, for in Philadelphia he visited Messrs. Warden and Frew (who were in the Trust), at Pittsburg he saw Mr. Charles Lockhart, of Lockhart and Frew (another Trust firm), and then at Cleveland he was taken over the Standard Oil works by Mr. Samuel Andrews (John D. Rockefeller's first partner). When he returned Mr. Redwood was the bearer of a letter from Mr. Wm. Rockefeller, dated December 19, 1877, couched in the best Standard Oil vein:—

It is our desire to furnish at all times refined oil that will be acceptable to the trade of all countries. It is our wish and intention that our products shall always reach the highest excellence.

Whatever their wish might be, the prospect of making more money proved too strong for these philanthropists, and complaints continued from the English traders as to the bad quality

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of the oil sent here. In 1879 and again in 1884 Mr. F. W. Lockwood, a saponaceous Standard Oil expert, was sent here to gammon the Petroleum Association with some cock-and-bull story. The second visit is referred to by Mr. Boverton Redwood in a report to the Petroleum Association, published in the *Grocer* of May 3, 1884. In it he explained that Mr. Lockwood attributed the complaints about the oil to the use of damp-clogged or hard lamp-wicks. This great discovery was too much even for Mr. Redwood, who has never been a harsh critic of the Standard Oil Trust methods. He thus reported :—

In conclusion, I desire to record as strongly possible my individual opinion that in their own interest the American refiners should forthwith institute such arrangements as will ensure the future maintenance of a satisfactory standard of quality. Considerable injury to the petroleum trade results from the distribution of such oil as is the subject of this report, consumers in many cases relinquishing the use of petroleum oil in favour of some other sort of light. Moreover, the American refiners should bear in mind that even now they have not a monopoly of the supply of mineral burning oil in this country, and they will find it necessary to pay much greater attention than heretofore to the quality of the oil they manufacture.

As an impartial testimony to the then quality of the Standard's illuminating oils and the

“Bad Wicks”

wonderful processes of manufacture which their Press Bureau now tells us they invented, I should give that document a high place. But to do them justice, the American refiners were not above taking a hint from other manufacturers. A gentleman with long experience in the oil trade once told me how Mr. H. H. Rogers about this time came to England. Up in the North there was a manufacturer of lubricating oils who had by his own ingenuity and skill developed some excellent ideas. He used to blend American oils, and Mr. Rogers asked one of the importers who dealt in their goods to introduce him. They went over the works together, and the proud owner showed them all his special processes and his little inventions and blends. Rogers was a practical refiner, he kept his eyes open, and after he returned to America the Standard's first lubricating oil branch, the Thompson and Bedford Company, of New York, began to export here some of the specialities which the North countryman had made. As brain-pickers the Standard men have no equal.

The first appearance of the Standard in this country was rather sudden. There came here an American gentleman named Frank E. Bliss, who had been connected with the business of Charles Pratt & Co. Nobody knew what

The Great Oil Octopus

his London business was, but one day there appeared in the *Financial News* the brief record of the registration at Somerset House on April 27, 1888, of the Anglo-American Oil Company, Limited. It had a capital of £500,000 in £20 shares. The first list of signatories contained several clerks and agents, but it also bore the name of Frank E. Bliss, and that told those who were in the trade what was coming. The first list of directors subsequently filed at Somerset House included such sound, reliable Standard Oil names as H. H. Rogers, J. D. Archbold, W. H. Libby, J. G. Gregory, and Wesley H. Tilford, all of 26, Broadway, New York, and Frank E. Bliss, of London. The precise significance of the word "Anglo" in its title becomes clearer when it is stated that the articles of association provided that the directors' meetings should be held in London, but that if a majority of the directors so decided they might be held in New York or any other part of the United States of America. As there was only one director resident in England, it is not hard to guess where most of the directors' meetings took place. This also helps us to appreciate the amount of truth in Mr. J. D. Archbold's Missouri evidence that he did not know why the Anglo-American Oil Company made loans amounting to £500,000

Standard's First English Company

to its managing director, Mr. James A. Macdonald. Mr. Archbold was a director of the "Anglo" from the outset until somewhere between July, 1907, and July, 1908. In 1893 its capital was increased to £520,000, and at this time Mr. John D. Rockefeller's name first appears on the share list as the owner of 6,867 shares out of a total of 26,000. In July, 1899, the share list of the Anglo-American Oil Company contained the names set out below. As will be seen, many of them have appeared in the course of my story, and the list contains a great deal of "American" and very little "Anglo." Where no address is given below, the return at Somerset House has "26, Broadway, New York," which is the central address of the Standard:—

AMERICAN SHAREHOLDERS.

	Shares.
H. M. Flagler and J. D. Archbold	10,239
John D. Rockefeller	6,867
C. W. Harkness, 611, Fifth Avenue, N.Y. ...	1,542
Mrs. Mary Pratt, Chas. M. Pratt, and Fred B. Pratt ...	1,336
Oliver H. Payne, 2, West Fifty-seventh Street, N.Y. ...	1,068
H. M. Flagler (separately)	748
H. H. Rogers	503
Laman V. Harkness, Greenwich, Conn.	349
W. L. Harkness, 10, West Forty-third Street, N.Y. ...	347
Wm. Rockefeller	347
Chas. Lockhart, Pittsburg	320
John D. Archbold	213

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	Shares.
W. Everitt Macy	199
Mrs. Esther Jennings, 48, Park Avenue, N.Y.	146
Miss A. B. Jennings, 48, Park Avenue, N.Y.	63
Oliver Jennings	63
Walter Jennings	64
Mrs. Mary B. Jennings, Fairfield, Conn.	53
Mrs. Elmira D. Brewster	53
George S. Brewster	53
F. F. Brewster, Newhaven, Conn.	53
R. Stanton Brewster	53
J. M. Constable, draper	82
H. Melville Hanna, Cleveland, Ohio	80
Wesley H. Tilford	80
C. F. Heye	98
J. S. Kennedy... ..	80
Ed. T. Bedford	66
Ambrose M. McGregor	53
Louis H. Severance	142
C. M. Chapin	26
H. C. Folger, jun.	26
W. H. Macy, jun.	13
W. T. Wardwell (treasurer of the Standard Oil Trust) ...	21
Daniel O'Day, banker, N.Y.	47
Hugh J. Jewett, Morristown, New Jersey	32
J. H. Alexander, Elizabeth, New Jersey	18
Mrs. Emma B. Auchinloss, 17, West Forty-ninth Street, N.Y.	63
L. S. Thompson, Redbank, New Jersey	29
W. P. Thompson, Redbank, New Jersey	34
Mrs. Mary E. Thompson	37
Mrs. Eliz. T. Preston, 1,228, Wood Avenue, Colorado Springs	26
Mrs. Helen James	63
Mrs. Salome Jones, Boston, Mass.	29
Joseph Seep, banker, Oil City, Penn.	26
C. F. Akerman	1

Resignations

							Shares.
A. J. Pouch	...	...	...	...	...	...	1
T. C. Bushnell	...	...	...	...	...	...	1
Livingston Roe	...	...	...	...	...	...	1

LONDON SHAREHOLDERS.

Frank E. Bliss	...	...	...	...	...	...	1
James Macdonald	...	...	...	...	...	...	1
J. H. Usmar	...	...	...	...	...	...	1
W. A. Hawkins	...	...	...	...	...	...	1

There have been various changes in the share list, and on June 30, 1910, the following were the principal shareholders:—

						Shares.
Standard Oil Company of New Jersey	...	...	...	...	...	49,993
Trustees Standard Oil Trust	...	...	...	...	...	1
Frederick D. Asche	...	...	...	...	...	1
J. H. Usmar, 22, Billiter Street, E.C., merchant	...	...	...	...	...	1
Francis Edward Powell, 22, Billiter Street, merchant	...	...	...	...	...	1
Thomas H. Hawkins, secretary, 22, Billiter Street	...	...	...	...	...	1
James Hamilton, 22, Billiter Street, merchant	...	...	...	...	...	1
William E. Bemis, 26, Broadway, New York	...	...	...	...	...	1
						<hr/> 50,000

The capital of the Company was at that date £1,000,000 in £20 shares. It is worthy of notice that in 1907–8, at a period when Mr. Roosevelt and his party were out after the Trusts, Mr. Archbold, Mr. Rogers, and nearly all the American directors of the Anglo-American resigned. In June last the directors were Mr. J. H. Usmar, Mr. Thomas H. Hawkins, Mr. F. E. Powell, Mr. William P. McKendrick,

The Great Oil Octopus

of 22, Billiter Street, E.C. (the London address of the Anglo-American Oil Company, until it moved last autumn to St. James's Park), and Mr. F. D. Asche, of 26, Broadway, New York. Mr. Fred D. Asche is a clerk in the export department of the Standard in New York. Thus, while in 1889 there were five directors resident in New York and one in London, in 1910 there were four directors resident in London and one in New York—a somewhat significant reversal of the ratio. Mr. Jas. A. Macdonald, the gentleman already mentioned, ceased to be managing director in 1906, when his one share was transferred to the Standard Oil Company of New Jersey.

The advent of the Anglo-American Oil Company was the beginning of troubled times in the English petroleum trade. Mr. Rockefeller's motto, "Pay nobody a profit," was put into force, and the Trust began to buy out or to starve out the various groups of middlemen who had hitherto been vending their oils to the English consumer. Some evidence on that point was given to the Select Committee on Petroleum in 1897 by Mr. W. J. Leonard, of Carless, Capel and Leonard, Pharos Oil Works, Hackney Wick. Mr. Leonard stated that London was then the only "free market" for other oil than Standard, since, although

The “Anglo” at Work

there were independent dealers in Liverpool, they had for several years a “selling agreement” with the Anglo-American Oil Company. Then came these answers :—

The Chairman : I want to know what there is to prevent you importing oil into Liverpool in competition with the Anglo-American Oil Company ?

A. If we did this of course the Anglo-American Oil Company would at once put down their price, *so that we should have to sell at a ruinous loss, and we cannot afford to compete with them ; I mean, we are all afraid of them.* If we sent oil to Liverpool the Anglo-American price, instead of being nearly $\frac{3}{4}$ d. a gallon more than the price in London, would probably be something like $\frac{3}{4}$ d. a gallon less than the price in London. That would be the immediate effect.

Q. Yes, but is there not a regular importation, and an increasing importation, of Russian oil ?

A. No, it is not an increasing importation ; it is not, certainly. Of course the Anglo-American Company are getting the whole business practically (Report and Evidence, 1897, Q. 4,834).

This is how an “independent” oil merchant talked of the colossal power of the Standard Oil Trust at that date, and their influence extended even to the smallest transactions. When a great proportion of oil was still imported in barrels, at least one London firm did a very good business buying up the empty oil barrels from the hawkers and small dealers, who used to collect them at the consumer's

The Great Oil Octopus

premises. The barrels were well made, and the Standard gladly bought the empties to use again. But it found somebody else was making a living. This would never do. At once the Standard began to offer small inducements to the hawkers, and the barrels went to them direct, so that the small factor's business was killed.

Very interesting evidence was given by Mr. W. T. Rigby, Secretary of the Liverpool Oil Dealers' Association, who was called in support of the Standard's opposition to the raising of the flash-point. He said the members of his association objected to the Anglo-American Company supplying so small a quantity as five gallons to small shops which had formerly been supplied by the small wholesaler. He went on :—

In the first instance, when the Anglo-American put their tanks on the ground they gave us their word that no less a quantity than twenty gallons would be delivered, but when they found that the retail dealers of Liverpool would not embrace the new system of tank-wagon delivery, but preferred to take it in the old style of barrels, they, in the words of their Liverpool manager, were forced to administer a stab in our backs—this is, go really behind us and secure that trade which legitimately belonged to the Liverpool Chandler doing a small wholesale business, and that is why they [his association] are objecting to the delivery of anything less than ten gallons of oil (Report and Evidence, 1897, Q. 6,052).

“Tied Houses”

But some of the wholesalers, especially where in the provinces they had built up a good business which it would be difficult for the Standard to capture, were allowed to remain as “tied houses” in the trade. Some evidence was with difficulty extracted by the Lord Advocate and Mr. M’Killop, M.P., at the same committee from Mr. Geo. Base, a large “independent” oil dealer of Norwich, who had come up to give evidence in support of the Standard’s views against raising the flash-point :—

Mr. M’Killop, M.P.: Have you any freedom to use any class of oil you like?—We prefer American oil. In fact, we have dealt in nothing else.

Have you a general freedom to use Russian oil, for example, if you choose?—We don’t like Russian oil.

Are you bound to any particular dealer? Are you bound to use American oil?—*Yes, that is so.* That is largely because of choice.

You are under contract?—Yes.

You are not allowed to sell any other?—Yes, that is so.

Mr. Ure, M.P.: What do you mean by contract?—I mean I have an arrangement at present in distributing American oil.

Do you mean that you have a binding agreement with the Standard Oil Company to sell nothing but their oil for a specified period?—No, not for a specified period.

For an indefinite period?—There is no period specified whatever.

Do you mean that you have a signed agreement to this effect, “signed, sealed, and delivered”?—If it is a binding agreement, it does not matter whether it is signed or not.

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Is that a common type of agreement with the American Company and its customers?—I don't know.

Does it specify any price?—No.

Does it preclude you from dealing in the oil of any other company?—*Well, yes, it does to a certain extent.*

What happens supposing you have oil from any other company?—That I can hardly say, but I am perfectly at liberty to determine the agreement at any time I choose.

Do you mean that breach of the agreement would not entail a claim for damages?—No.

Then what "consideration" do you get for entering into such agreement?—The consideration is the larger volume of business.

But you can without an agreement deal in it?—Yes.

Why? You go into this agreement, and can give me no reasons for it. Is it in writing?—In print.

So that a great number of people enter into the same kind of agreement, apparently?—No, I think not. Of course, I have no personal knowledge (Report and Evidence, 1897, Q. 3,475 *et seq.*).

We have only to read the evidence of Mr. Leonard and Mr. Rigby, and the American evidence already given, to understand why these "tied houses" exist.

In one portion of the United Kingdom the Standard has never been able to obtain complete control. Scotland is the earliest home of the mineral oil industry, and patriotism and caution alike induced the Scottish users of burning oils to prefer the high-flash oil which the Scottish oil companies refine to the dangerous low-flash petroleum imported by the Stan-

The Scottish Refiners

dard. Although the cheapness of the latter's product has made considerable inroads on the former's trade in kerosene the Standard has never been able to kill it, and it has of late made various proposals to the Scottish companies to take over their whole output of kerosene and to distribute it by the tank system. The Scottish oil companies (who do a barrel-oil trade) are unwilling to supply the Standard with all their output, for they know that the Standard would by the tank distribution system kill the middlemen. Then when it had made itself the sole channel by which kerosene could reach the scattered Scotch consumers, it might decline to buy any more Scotch oil and simply force its own oil on the purchaser. The Standard people are now attempting to push their own oils by the tank distribution system on Scotland, but are meeting with strong opposition.

But the strength of the Scottish companies is not patriotic so much as economic. They refine their oil from the shale, a soft, greasy, slate-like stone. Now so long as kerosene was the only thing the refiner troubled about, the Americans had the advantage because Nature had done half the work of distillation for them in her own laboratory, and instead of mining a stone, they got petroleum as a liquid. But the bottom is falling out of the kerosene trade, as I have

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already explained, and the Scottish companies are recouping themselves on their by-products. At the time of writing burning oils (kerosene) and lubricants are lower than they have ever been, and it is certain that no profit is being made out of them in Scotland. But the Scotch shale in distillation yields sulphate of ammonia, which is in good demand as a fertiliser, and is not obtainable from either American or Russian crude. Naphtha is also selling at a fairly good price owing to the development of the motor industry—in fact, the Standard has been buying large quantities of it from certain Scotch companies. In the past the Scotch refiners have been greatly assisted by the considerable percentage of paraffin wax which their crude yields, but in the last three or four years they have lost some of this advantage owing to the increased output of paraffin wax in Galicia. The Boryslav and Tustanovitch fields in that country produce an oil which yields from 1 to 7 per cent. of paraffin wax, and the production of paraffin wax has shot up very suddenly—which is no doubt one reason why the Standard has been fighting so hard in Galicia. The net result is that the Scotch companies have a hard struggle to maintain themselves against the Standard monopolist tactics, but that on the whole they hold their own.

THE FLASH-POINT SCANDAL

“The flash-point of 73 deg. was badly founded, because it is the flash-point of a substance which is being burned at temperatures commonly above 73 deg., and, therefore, you are dealing in every lamp so used with an oil beneath your flame which is in a condition of danger.”

PROFESSOR ATTFIELD, F.R.S., *Select Committee on Petroleum, 1896 Report.*

CHAPTER XIII

THE FLASH-POINT SCANDAL

IT is now time to devote a little attention to one of the Standard's great triumphs in this country—the staving off until this present day of the legislative raising of the flash-point of petroleum. I desire to make this explanation short and simple. The flash-point is the temperature at which an oil will give off vapour, which, mixed with air, is explosive. In other words, it is the point at which a flame brought close to its surface will cause it to explode—the explosion being, of course, small in a 2-in. deep test-cup, but serious when a lamp or a barrel is in question. The test depends on the presence of vapour. It is obvious, therefore, that any test-cup which allows the vapour to escape before the flame can be applied is useless. The advocates of safe oil have always demanded a test-cup which would retain the vapour, and

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the petroleum traders in Europe and America have always pushed some kind of cup which would allow as much as possible of the vapour to escape.

The story of the juggle with the flash-point begins in 1868, before the Standard Oil Trust was born, and for its initial stage it is only fair to admit that it can have no responsibility. The Fire Protection Committee of 1867 recommended that the flash-point should be 110 deg. Fahr. The Petroleum Association—which was then an independent body of importers of American oil—asked for a flash-point of 100 deg., and the Home Secretary called in the “three chemists”—Dr. Lethaby, Professor Attfield, and Professor (afterwards Sir Frederick) Abel—to advise as to the flash-point and the method of determining it.

The three chemists recommended that 100 deg. should be conceded provided it was ascertained by a test-cup which they recommended. That tester, called “the three chemists’ cup,” gave results which it is now admitted were identical, within 3 deg. of those shown by the present Abel tester. What followed is succinctly narrated by Mr. Ure, K.C., M.P. (now the Lord Advocate), in his draft report presented to the Petroleum Committee (1898 Report, p. xxxvi):—

The Three Chemists

The Report [of the three chemists] was accepted by the Home Office and the standard and test were embodied in the Notices of Motion and Orders of the Day for the 8th of June, 1868. A week later it will be found from the Notices of Motion and Orders of the Day that the test prescribed by the three chemists, and accepted by the Government on the 8th of June, had undergone a very material change. In the interval the Petroleum Association approached the Government and requested that the three chemists' test be modified. The Government remitted to Sir Frederick Abel to consider the question thus raised. He was comparatively new to the subject of flash-point investigation. Dr. Lethaby and Dr. Attfield had for years devoted special attention to it. Both were in London at the time, and available for consultation. Neither was consulted or even apprised of the proposed change.

Sir Frederick Abel was enjoined by the Government not to give way on any point affecting the efficiency of the test. He did give way; and in the result a test was prescribed which he himself subsequently described as "untrustworthy," "open to manipulation," and "not of such a nature as uniformly to ensure reliable and satisfactory results." *Why Dr. Lethaby and Dr. Attfield were not consulted has not been explained to your Committee.* It is certain that if they had been consulted, the change could never have been made. Whenever it came to his knowledge Dr. Attfield at once informed the Government that the test was far less stringent than that prescribed by the three chemists, that it would be a fertile source of disputes, and that the public would not be protected.

That 100 deg. flash-point, with the inaccurate tester of the Petroleum Association, went into the Act of 1868, and the mischief was done. But the most extraordinary and audacious chapter in this strange story took place ten years later

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when the disputes and blunders which Dr. Attfield had foretold had occurred. Sir Frederick Abel then devised the Abel (close) tester, which is an efficient one; but he showed that an oil flashed in that tester at a point 27 deg. lower than that at which it flashed in the Petroleum Association cup legalised in 1867.

In 1879 the new Act legalised Sir Frederick Abel's tester and then fixed the flash-point at what was called the "equivalent" of the old 100 deg.—in other words, it reduced the flash-point by 27 deg., the amount of the inaccuracy of the old tester. The effect, of course, was to perpetuate the blunder of the 1867 Act in another way. It is as though a man, finding that his watch lost 27 minutes in a day, bought a new and accurate timekeeper and then purposely put it back 27 minutes.

The history of this bureaucratic juggle was effectively summarised by Mr. Ure in the House of Commons, March 15, 1899:—

In 1862 there was a correct flash-point (100 deg.) fixed, and no tester for ascertaining it.

In 1868 there was a correct flash-point (100 deg.) and an incorrect tester for ascertaining it.

In 1879 there was a correct means (the Abel tester) of finding out an incorrect flash-point (73 deg.).

Now we demand a correct flash-point (100 deg.) and a correct means of finding it out.

An Audacious Change

To this day all petroleum which flashes at 73 deg. Fahr. in the Abel tester is subject to no restrictions of any kind, and lamp accidents and oil fires have carried off hundreds of lives since 1879. Lord Kelvin, surely a high authority, said to the Select Committee in 1906 :—

It seems to me that the logical outcome of Sir Frederick Abel's work ought to have been to declare that the 100 deg. test in force in the 1871 Act must be fulfilled by a proper close test. I cannot think how Sir Frederick Abel dropped from 100 deg. to 73 deg.

Professor Silvanus P. Thompson, in his "Life of Lord Kelvin" (vol. ii. p. 962), tells us :—

Lord Kelvin felt strongly on this question. In 1868 an open test-cup was legalised which in practice proved to be erroneous to an average extent of 27 degrees. In other words, oil which was actually giving off explosive vapour at 73 Fahr. did not flash in this open cup until it reached 100 deg. The number of fires due to paraffin lamps increased owing to the introduction of cheap low-flash oils. In spite of this, in 1879, when a new and more efficient test was adopted, the flash-point was by a scandalous manœuvre reduced to 73 deg.

It is interesting to recall that in the experiments which Sir Frederick Abel made during the period when the Abel tester and the difference between its results and those of the 1868 tester were under investigation, he was assisted by Mr.

The Great Oil Octopus

Boverton Redwood, the chemist of the Petroleum Association. But the delicate operation of substituting a lower flash-point when the tester was made more accurate seems to have been carried out mainly by the assistance of the then Chief Inspector of Explosives, the late Colonel V. Majendie, a soldier and a gentleman, who was no match for the adroit and suave agents of the petroleum trade. It was perhaps not unfitting that the administration of the laws relating to Mr. Rockefeller's low-flash petroleum should have been placed under the Explosives Department of the Home Office, but it had this disadvantage, that Colonel Majendie, well acquainted with military explosives, knew nothing about petroleum. He once declared at the Imperial Institute in my hearing that he had learned all he knew about petroleum from Mr. Redwood. How completely he was guided by his mentor in this matter appears from a memorandum of July 18, 1878, in which he gives his reasons for supporting the reduction of the flash-point from 100 deg. to 73 deg. In it he wrote:—

The figure is one to which the Petroleum Association, *the body really interested*, are prepared to assent, and although the Scottish Mineral Oil Association desire a higher flashing-point, it is really a matter in which they have very little concern, except in so far as the adoption of a higher flashing-point will tend to injure their trade rivals (the Petroleum

Sir V. Majendie

Association). I think, therefore, that as the matter cannot be usefully carried further, the Abel test of 73 deg. Fahr. flashing-point should be accepted.

Mr. Redwood was at this period the paid secretary of the Petroleum Association, and had returned only six months before from his American trip. Sir Vivian Majendie seems never to have been able to consider the public; in his view it was all a trade squabble between the rival oil traders. I ought to explain here, by the way, that the Scottish refiners have always kept their oil up to a flash-point of 100 (Abel), their reason being that they desired to maintain a perfectly safe standard. They have always complained of the invasion of this 73 deg. American petroleum, not on ordinary commercial grounds, but because they held that its dangerous and explosive character was prejudicing the public mind against all classes of burning oils, and neutralising their own efforts to give the public confidence in them.

**THE ROCKEFELLERS AND THE
HOME OFFICE**

"You have been in politics long enough to know that no man in public office owes the public anything."

SENATOR MARK HANNA *to the Ohio Attorney-General.*

CHAPTER XIV

THE ROCKEFELLERS AND THE HOME OFFICE

NATURALLY the juggle by which the low flash-point was thus stereotyped in the Act of 1879 had its effects. The number of petroleum accidents began to increase, and so Sir. V. Majendie was sent to visit 242 places in England and the Continent and then to America. In both these series of visits he was accompanied by Mr. Boverton Redwood, Secretary of the Petroleum Association, "who was good enough to accompany me and render me great assistance," as Sir Vivian put it. I have no means of knowing whether Mr. Redwood was able to obtain the same letters of introduction from Mr. Wm. Rockefeller which he had secured in 1877, but I do know that there was one subject the pair did *not* inquire into. It appears in Colonel Majendie's examination before the Select Committee on Petroleum by

The Great Oil Octopus

Captain Hope (Report and Evidence, 1894, Q. 206-212):—

Q. Are you aware that in Scotland, where Scotch oil has been mostly in use, there have hitherto been very few fires or lamp accidents?

A. No, I have no statistics of lamp accidents. I have only a general knowledge derived from newspapers and from those who have given to the subject a larger study.

Q. When you were making your inquiries in America did you go into the question of the frequency of lamp accidents?

A. *Not lamp accidents, I think, at all.*

While this surprising omission was occurring lamp accidents continued to go up. In London they rose from 45 in 1873 to 271 in 1890. In that year the twin brethren, Sir. F. Abel and Mr. Redwood, were directed by the Home Office to make an inquiry into the subject, and they discovered that it was all due to bad lamps. This ingenious theory set every one—Press, coroners, County Council, Home Office—in full cry after a lovely red-herring, and diverted attention for several years from the Standard's explosive oil. When Mr. Lockwood came over in 1877 it was the bad wicks; now, in 1890, it was the bad lamps. The objections to attempting to secure immunity from petroleum lamp accidents by any lamp law are these:—

1. Nobody has yet guaranteed any absolutely safe lamp.
2. Nobody can guarantee that a safe lamp will remain safe in

The Standard at Westminster

wear, or can compel its owners to buy a new one when it is in bad repair.

3. In both Scotland and America, where petroleum is produced and refined, the remedy has been sought, not in a lamp law, but in raising the flash-point.

While the British officials were chasing the lamp-law will o' th' wisp Mr. Rockefeller was sending over here petroleum oil which could not be sold in most of the States of the Union, and the number of lamp accidents here was still rising. In London they rose from 271 in 1890 to 473 in 1895. By this time an inquiry could not be avoided; the Select Committee to which I have referred began to sit, and between 1894 and 1898 to take evidence and report.

The evidence before that Committee in support of the Standard Oil Trust's contention was extensive and peculiar. There was Sir Frederick Abel, who admitted to the Committee that as chemist to the War Office he had recommended the adoption of 100 deg. or 105 deg. oil for use in barrack-rooms. Yet he was prepared to maintain that 73 deg. was sufficiently high for a lamp in a crowded tenement house, where obviously the chances of accident are far greater than in the strictly regulated and disciplined barrack-room. Then there was Mr. Boverton Redwood, and he too declared that the flash-point of 73 deg. was

The Great Oil Octopus

sufficiently high for public safety. The most remarkable thing about his evidence was the damaging admissions he was compelled to make, which gave away his whole case. Here are two :—

In my opinion a considerable proportion of the lamp accidents which occur would not happen if only oil of 120 deg. or even 100 deg. Abel test were used (Q. 1,824, 1896 Blue Book).

Undoubtedly in a sense the higher the flashing-point the safer the oil, and from that point of view oil of 100 deg. flashing-point must be safer than oil of 73 deg. flashing-point (Q. 1,893).

Another very entertaining Standard Oil witness was Professor C. F. Chandler, of New York, who explained that he had been coming to Europe for a holiday, and was asked by the Standard Oil Trust to give evidence against raising the flash-point. He gave that evidence, and was confronted with this passage in a report he made to the New York State Board of Health in 1871 :—

There is a strong inducement to turn the heavier portions of thenaphtha into the kerosene tank so as to get for it the price of kerosene. It is therefore the cupidity of the refiner that leads him to run as much benzine as possible into the kerosene, regardless of the frightful consequences of the frequent explosions.

As this was exactly what the Standard was

The Orange Barrel

doing, this was rather awkward for the Professor, but he cynically explained that it was “a reckless statement” made when he was a “reformer.” He admitted that he had never withdrawn it publicly until that very date in 1896, but he went on to swallow it whole.

But the prize witness on that side was Mr. Paul Babcock, whom we saw in 1877, and who as one of the American directors of the Trust came to tell the Select Committee that the 73 deg. oil—the brands known to the trade as “Tea Rose” and “Royal Daylight”—were as safe as the 105 deg. oil—the brand known as “White Rose.” Thereupon Mr. Ure, M.P., produced a little folding card just then issued by the Anglo-American Oil Company, Limited, a copy of which lies before me as I write. On the front page of this little Rockefeller tract—which, I grieve to say, is not now in circulation, so that mine has become a “rare edition”—there are two big orange-coloured barrels, and the words “White Rose American Lamp Oil.” Inside there is an artless panegyric on “White Rose,” of which we are told:—

Its fire test is so high as to make it the safest petroleum lamp oil in the world. Explosion is guarded against and families can burn White Rose Oil with the same assurance of safety as they can gas . . . a really safe and reliable illuminant, &c.

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Of course, all this clearly proved that the Anglo-American Oil Company, whatever it might say at Westminster, did not believe in Billiter Street that 73 deg. oil was as safe as "White Rose." But Mr. Paul Babcock was a cool hand. He turned the card over carefully, and then remarked that it was "merely advertising bankum," and that it was issued by the Anglo-American Oil Company, "*who no doubt bought the oil of us.*" This was fairly cool in view of the fact that the Standard owns all the shares in the Anglo-American, but it is even cooler when we examine the orange-coloured barrel in the picture. The barrel bears at its head a label, "Kings County Oil Works, Sone and Fleming Mfg. Co., Limited, New York." Now Mr. Paul Babcock was himself general manager to that very Sone and Fleming Company, in addition to being a director of the Standard, which, since 1877, had controlled it. That incident is a fair specimen of the Standard's evidence at this inquiry.

On the other side evidence was given by Lord Kelvin (the greatest scientific man of his day), Sir Henry Roscoe, Professor Ramsay, Professor Attfeld, Dr. Stevenson Macadam, Professor D. Mendeleef (who represented the Russian Government and the Russian petroleum industry), and Dr. Hermann Kast (of Karlsruhe), all denouncing

More Standard Agitation

the 73 deg. flash-point and advocating its being raised. Sir Henry Roscoe said :—

I think that Americans send over so much mixed oil of the character of this "Tea Rose" oil *only because our flash-point is so low.*

Lord Kelvin told the Select Committee :—

I am clearly of opinion that in order to avoid accidents the flash-point must be raised, and that no construction of lamp will meet the difficulty.

The Select Committee at last reported in favour of raising the flash-point, and an agitation started by the *Star* newspaper in support of this course received the adhesion of a large number of newspapers, coroners, and of the London County Council. At the same time the Standard Oil Trust started its own characteristic agitations. Petition forms were sent to every oil retailer with requests to obtain signatures in opposition to raising the flash-point. And according to the statement of Mr. Jasper Tully, M.P., in the House, some of these men in Ireland were threatened that they would get no more oil if this was not done. The result was that M.P.s were bombarded with petitions from their constituencies,

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and Standard Oil agents filled the lobbies. A well-known Standard Oil "expert" contributed anonymously a long article to the *Times*, in which it was represented that the safe-oil agitation was due to a desire to secure "protection" for the Scottish trade. It is amusing to recall that one of the strongest supporters of this theory was the Right Hon. Jesse Collings, who in four short years was to become an ardent convert to the theory of "Protection," not only for Scotch oil, but for everything else.

While the Standard was playing up to free-trade opinion in this way, it was working the "patriotic" dodge in a very nicely got-up anonymous pamphlet sent to every M.P. In this it was shown that the effect of raising the flash-point would be to stop our cousins across the Atlantic from sending us oil, and to play into the hands of Russia, which had always been hostile to us. The old Russian bogey was still alive in the days before the Russo-Japanese War, and this waving of the Union Jack no doubt affected some soft-headed M.P.s.

There is a characteristic story which relates that somebody, on hearing that the site had been acquired for the new palace now completed in Queen Anne's Gate, rang up one of the heads of the "Anglo" on the telephone.

“Lobbying”

“You are making a mistake,” said he; “you ought to be near the City.” “Oh! the City doesn’t matter,” replied the Standard voice on the telephone; “what we want to be near is the House of Commons.” There the policy of the Standard Oil Trust is crystallised in a sentence. The Trust is the most gigantic lobbyist in the world. No other association of private capitalists maintains such an espionage system; no other body of that kind has its lobbyists at so many centres of government. In most of the American State Legislatures the Standard Oil lobbyist is as well known as the Speaker. At Washington, at Ottawa, in the House of Commons, in Berlin, in Bucharest, to name but a few capitals, you will find the representatives of the Rockefellers. Their proceedings and those of the rivals who sought to checkmate them elicited a severe rebuke from that cautious journal the *Spectator* on the occasion of the debate upon the Flash-point Bill. Writing on March 25, 1899, my contemporary observed:—

The decision as to the proper flash-point for mineral oils really involved a possible monopoly of the supply of safe oils, a monopoly worth many millions, and the signs of excited personal and pecuniary interest in the lobbies were noticed by many observant members of Parliament.

It declared that the practice of “lobbying”

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tended to "grow into a peculiarly subtle and dangerous form of corruption":—

It has so grown both in America and France, and it may grow here. What with the tendency to create monopolies, the incessant variations of the tariff in some great States, and the masses of capital at the disposal of individuals or companies, the profits and losses consequent on a new law may amount to millions, and among the owners or expectants of those millions there may be some of the most unscrupulous of mankind. They have paid secret commissions all their lives, especially for "information," and they do not see why they should not pay them to induce hostile legislators not to vote against them.

The end of this combined attack was that when the Flash-point Bill came up for second reading in March, 1899, it was rejected, on the pledge of Mr. Collings, then representing the Home Office, that the Government would deal with the whole subject of the storage of petroleum and of lamp accidents. Since that date nothing has been done, and although all the members of the Liberal Cabinet who were in the House of Commons in 1899 voted for the Flash-point Bill, they have never found time or courage to tackle the Standard Oil monopoly in explosive oil. As Lord Kelvin's biographer, Professor Silvanus P. Thompson, says in the chapter already quoted: "The scandal of the free sale of dangerous low-flash oil continues."

The Home Office

No doubt Ministers have been hampered by the obstruction of the Home Office bureaucracy. Before even the Select Committee had reported, the late Dr. Dupre, chemical adviser to the Home Office, said at Sutton (in November, 1897):—

If people thought they would get legislation on the subject to raise the flash-point they would be very much mistaken, for legislation would not so upset the trade. What was wanted was education and better lamps.

We have seen how Colonel Majendie was constantly sitting at the feet of Mr. Boverton Redwood on this question, and his influence was steadily against the flash-point being raised. His successor, the late Captain Thomson, followed the same tradition, and actually published with Mr. Redwood a "Handbook on Petroleum." This volume, which is ostensibly a guide to local petroleum inspectors in carrying out their duties, branches off into a defence of the 73 deg. flash-point, and contains all the old Standard Oil tags. One of its points is that more people are killed by falling downstairs than by lamp accidents—I only cite that absurdity to show the boldness which the Home Office staff have shown in their determination to obstruct the recommendation of the Petroleum Committee. The final climax has been the appointment of Sir Boverton Redwood as Home Office Adviser

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on Petroleum. Nobody questions for an instant the great scientific abilities of Sir Boverton Redwood, or his thorough acquaintance with the petroleum industry, but he has taken too long and too active a part in opposing the raising of the flash-point for his advice to be a safe guide on the question. It would be exactly like appointing Mr. Pretymann to advise the Inland Revenue on the drafting and circulating of Form IV.

The Home Office has made another attempt to divert public attention from the flash-point of kerosene by appointing a departmental committee to consider the storage and transit of petroleum spirit, which body has just published its report and evidence. The fact is, of course, that this is a difficult and complicated subject, affecting large numbers of small oil and spirit dealers, on which it will be almost impossible to come to an agreement. The raising of the flash-point of kerosene is a simple, clear issue, which can be done by a Bill of one clause, and the only people who will really be affected by it will be the Standard Oil Trust. At the same time the Oil Trust, with its vast capital, does not greatly object to restrictions on the storage and transit of either oil or spirit, because these mean capital expenditure which it can easily defray, and they will at the same

The Naphtha

time hamper all its smaller competitors. Now in a time of congestion of Parliamentary business, when it is admittedly difficult to drive even a wheelbarrow through the House, the Home Office bureaucracy deliberately selects the long and complicated subject for its activity, and ignores the simple one. Why?

It is instructive to note that during the years that have elapsed since the Flash-point Bill was rejected in 1899, half the Standard's argument against raising the flash-point has been killed by itself. It asserted that it could not take out that proportion of naphtha which made its 73 deg. oil so explosive and dangerous without adding to the cost to the consumer. Since then there has arisen the demand for benzine or petrol for the motor industry, and the Standard finds that it *can* take out that naphtha. Accordingly a friend of mine who has studied this subject as a chemist tells me that whereas the "Tea Rose" oil used to have a flash-point nearly down to the legal minimum of 73 deg., samples recently tested have a flash-point of 78 deg. or 79 deg. The Trust have made their oil to that extent safer to suit themselves, and it is notable that side by side with this the number of petroleum lamp accidents has been falling. What is now wanted is that they shall be forced by Parliament to make it safer still.

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As Lord Kelvin said to the Select Committee in 1896 :—

The principle of safety is that oil should never in a lamp reach the temperature of the close test flash-point. I advise the Committee to fix a flash-point which shall be higher than oil is likely to reach under ordinary conditions of ordinary use.

One of the achievements of the Home Office during the controversy was the cooking of a list of legal flash-points in American States by which it was sought to discredit the statement that this country is a dumping-ground for American low-flash oils that the Rockefellers cannot sell at home. Although Mr. Jesse Collings has denied that statement in the House of Commons it is perfectly true. A conclusive proof of its truth is furnished by that interview with Mr. W. H. Libby, the Standard's foreign marketing agent (to which I referred in a former chapter) appearing in the *New York Herald* of September 3, 1905. After describing in Mr. Libby's words their struggles with Russia for the European oil market, the interviewer goes on thus :—

It is an open secret among people familiar with the oil business that the great and important reason for the Standard's activity in Europe is largely due to the fact that the European

The British Flash-point in India

tests on oil are not as stringent as they are in the United States. In this country (U.S.A.) the first run of oil, or what is known as the flash-test at a high rate, *is the only oil that is allowed to be marketed*. The second run of oil contains much more inflammable ingredients, and when tested with the flash will explode at a much lower temperature. *It is this oil that finds a market abroad, and the laws there do not demand the higher test of the product*. To get rid of its second run the Standard naturally has to look to other markets than the domestic, and that is why it is so anxious to extend its operations in Europe and Asia, as otherwise the oil would be a drug on its hands.

The case against the Standard and its liquid death could not be more concisely put than in the foregoing passage, and so far as they are concerned I leave the case there. But with regard to the British officials, it should here be mentioned that the length to which they have gone in defence of the 73 deg. flash-point was most conspicuously demonstrated in India. When the flash-point of 73 deg. was legalised there difficulties arose with Burma petroleum which, owing to its large proportion of petroleum wax, became solid or viscid at 60 deg. The Indian authorities wrote home for advice in this awkward situation, and Sir Frederick Abel was invited to solve the riddle. Sir Frederick Abel actually recommended the Indian Government to melt the samples, then refrigerate them down below 73 deg., and then gradually heat them up again to 73 deg. to

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test them! Here is the exact language of his letter :—

For the above reasons the application of the legal flashing test as prescribed by the Act to the examination of petroleum samples which are solid or viscid at a temperature about 60 deg. Fahr. *must give entirely fallacious results.*

Then he goes on to suggest a “modification” of the system of testing, of which the material portion is as follows :—

The oil-cup is then to be placed in a refrigerator, or plunged up to the projecting collar in water maintained at a sufficiently low temperature until both thermometers indicate the temperature at which the testing of petroleum is directed in the Act to be commenced. The oil-cup is then to be removed, wiped dry, placed in the water-bath, and the testing effected in the manner prescribed in the Act (Select Committee's Report, 1896, Appendix, p. 747).

Of course, to the mind of any one but an official, it would be clear that when oil in a barrel or a tank was itself normally at a temperature of between 80 deg. or 90 deg., it was a farce to allow it to enter the country on the theory that it would not give off explosive vapour below 73 deg. Fahr. But to admit that would have been too awkward for the whole flash-point camarilla, and Sir Frederick Abel, in the *Journal of the Society of Chemical Industry*, a few years before the safe-oil agitation

Later Agitations

started, stated that oil which in New York was exported as 73 deg. oil was found in India to have a flash-point of 66 deg., and advised that in order to take the flash-point in India it should be cooled down to 56 deg. Fahr., before the testing was started. Yet the Standard Oil agents in India successfully opposed any raising of the flash-point, and Sir Frederick Abel, in the letter quoted in the 1896 Blue Book, stated that public safety did not require it.

Another Standard Oil agitation which was run here by the Anglo-American was in February, 1900, when the railway companies issued an amended consignment note for benzine, petrol, and all varieties of motor spirit, by which the consignor was required to indemnify the railway company against all claims for injury to person or property arising out of the "inflammable character" of the goods. The Anglo-American Oil Company first threatened that it would abandon the importation of petroleum spirit altogether, but as that "bluff" did not succeed it issued a circular to owners of motor-cars and users of petroleum spirit signed by Mr. Frank E. Bliss, director. It contained this instructive passage:—

There is more likelihood of our protest being heeded if it be supported by similar protests from all users of petroleum spirit. We ask, therefore, your co-operation in our endeavour

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to induce the railway companies to revert to their old form of consignment note, and we shall be glad if you will address a letter of protest to your local goods agent of the railway-company over whose line you have been accustomed to receive your traffic.

That is the way these spontaneous agitations are got up.

Of late years the Anglo-American's public activities have been chiefly concerned with its attempt to get the Thames Conservancy, and then the Port of London Authority, to sanction the bringing of petroleum spirit up the river in tank barges instead of landing it at Purfleet. The Thames Conservancy, whose meetings are open to the Press, steadily refused, but the Port of London Authority sits in secret, and it would not be surprising if one day the Standard's constant efforts succeeded in this most dangerous project. "Petroleum spirit," legally, consists of petroleum which flashes below 73 deg. Fahr. In fact, some of its products will flash at zero, but all of it is far more dangerous than the petroleum lamp-oil, which flashes at 73 deg. or above.

THE LUBRICATING OIL TRADE

“Does Mr. Rockefeller know that modesty, benevolence, and piety are the tricks which deceive the most people the longest time?”

IDA M. TARBELL in “*McClure's Magazine*.”

CHAPTER XV

THE LUBRICATING OIL TRADE

IT is time now to turn to the Standard's other English branch, the Vacuum Oil Company, Limited, which posed at first as an American company entirely independent and unconnected with the Standard. It was registered at Somerset House as a limited liability company, with a capital of £55,000, on May 13, 1901. Its object was to take over the business of its parent, the Vacuum Oil Company of Rochester, N.Y., U.S.A., and it purchased all the assets of that company in the United Kingdom for £29,947. Up to October, 1905, its five directors were as follows—

John Dustin Archbold, 26, Broadway, N.Y.

Charles Millard Pratt, 26, Broadway, N.Y.

Charles Marvin Everest, Rochester, N.Y.

Howard B. Case, Norfolk Street, Strand.

Henry Forster Grierson, Farnborough, Hants.

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Charles M. Pratt is a son of the late Mr. Charles Pratt, who founded the refinery already referred to in connection with Mr. H. H. Rogers. C. M. Everest has been mentioned in the Buffalo explosion prosecution, in which he was convicted. In 1908 the Company adopted new articles providing that the number of shareholders must never exceed fifty, and binding the directors to refuse to register any transfer of shares which will have the effect of increasing the shareholders beyond that number. The directors are also empowered to refuse to register any transfer of shares without giving their reasons. The following were the shareholders on November, 30, 1909:—

			Shares.
Vacuum Oil Company of Rochester, N.Y.	...	...	50,000
Charles Marvin Everest, Rochester, N.Y.	...	...	2,000
Howard B. Case, managing director	...	...	50
Henry Forster Grierson, Farnborough	...	...	10
Louis Chas. Panizzardi, Paris, merchant	...	...	50
Edward Prizer, 29, Broadway, N.Y.	...	...	2,790
Ernest Michaelson, Copenhagen, merchant	...	...	50
Everett Oscar Wader, 29, Broadway, N.Y.	...	...	50
Total			55,000

Mr. Archbold and Mr. Pratt have left the board of directors, which included in November, 1909, Messrs. Everest, Case, Grierson, Prizer,

The Vacuum and the Trade

Panizzardi, Michaelson, and Mr. George Percy Whaley, of 29, Broadway, New York. (Probably 29, Broadway is a copyist's blunder for 26, the Standard's home.)

One complaint which the English trade makes against the Vacuum Oil Company is this: through the Anglo-American Oil Company the Standard sells large quantities of refined oils to British manufacturers, compounders, or blenders of lubricants. At the same time, through the Vacuum Oil Company, it goes to the customers of these firms and offers to undersell them, saying that it can supply the oils direct. A great deal of correspondence appeared in the *Oil and Colourman's Journal* on this subject in 1905. For example, one correspondent told this story of his experience with the Standard. He was dealing in illuminating oil, getting all his supplies from the Anglo-American Oil Company. In 1898 his trade was 60,000 gallons per annum, then the "Anglo" sent tank wagons to his customers, and in 1905 it was less than 15,000 gallons. He was persuaded then to devote his attention to motor-car spirit. After he had spent a considerable sum on bricks, concrete, iron doors, &c., for storage purposes, the Anglo-American began delivering broadcast motor spirit to cycle agents. This merchant, when he saw his

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kerosene trade vanishing, put up plant for blending, filtering, and refining for the lubricating oil trade. Then he found the Vacuum Oil Company underselling him with his own customers. Of course, it was quite obvious that if the Vacuum Oil Company could by these tactics secure the whole trade of the British lubricating oil blenders, the price of lubricants would go up as suddenly as the price of kerosene always did when the Standard had killed competition. This fact was pointed out in the trade Press, and I understand that the Vacuum's great campaign in 1905 has not destroyed the British makers of lubricants.

A gentleman connected with the lubricating trade wrote me the other day of the latest methods of these people. The Standard ships large quantities of oils for lubricating to the Anglo-American by the ordinary steamship lines. In a very attractive little booklet which I have before me, entitled "The Light that Fails Not," issued by the Anglo-American Oil Company in 1902, it is stated that their import of lubricating oil in a year was 462,000 barrels. This is now larger, and is a valuable freight, and so the Vacuum people go to the principal steamship lines, and say, "We give you this freight; you must let us lubricate your boats in return." The result is that the freight which

Vacuum on Tramways

the English maker of lubricants pays on what he buys from the "Anglo" is used to secure business for his trade rivals, who are undercutting him with owners of engines. This may be the American idea of "business," but it will take a great deal of acclimatising here, and the Vacuum is not growing in popularity.

But the Vacuum does not always undersell. Complaint is made that in some of the large tramway undertakings, especially municipal ones, no other lubricant but the Vacuum oils can get accepted, although other oils of equally good lubricating quality can be and are produced by British firms at lower prices than the Vacuum obtains. The reason for this phenomenon is simply that the engineers in charge of the plants refuse to use any other than Vacuum oils. Of course they must be able to supply a plausible reason for this to their superiors, and such an explanation is provided in the "Official Circular" of the Tramways and Light Railways Association for April and May, 1905. This "Circular" reports a paper read at a meeting of the Association on April 28, 1905, by Mr. William E. Parish, jun., chief technical expert of the Vacuum Oil Company, on "Friction as Affected by Lubrication." The keynote of Mr.

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Parish's paper may probably be found in these lines :—

It is possible to exactly duplicate a fine lubricating oil on the basis of chemical tests with an improperly manufactured article. The results from the use of both oils, *while the chemical readings show they are exactly the same*, are widely different when applied to actual work.

Translated into plain English this means that the lubricants supplied by the Vacuum's competitors (manufactured out of the Standard Oil Trust's own oils) are by every recognised chemical test as good as theirs, but yet that it is right and proper that the engineer who actually uses the lubricants on the machinery should prefer the Vacuum oils—a very satisfactory doctrine for both the Vacuum Company and the engineer !

Further on in his paper Mr. Parish was good enough to give various tables and experiments relating to what he called

A full efficiency test of a textile mill where an effort is being made to reduce the total horse-power by means of applying lubricants more suited to the work than the oils in use.

That means, in plain English, by applying Vacuum oils, whose chemical readings are exactly the same as those of their competitors, and whose virtues can only be discovered by

Vacuum Tests

the engineer. In the debate on the paper I notice that Mr. W. Scott Taggart, while congratulating Mr. Parish on his paper, let fall this very valuable observation :—

I must say there is only one thing that spoils these tests for a society like this or any other society of a scientific character, and it is that these tests are all made by a person or an engineer responsible to the oil company making them. I think they would be of much greater value if carried out by some unprejudiced engineer.

In replying afterwards on this important point, Mr. Parish urged that comparative testing was very difficult, and that

Engineers for work of this kind absolutely cannot exist outside the large oil companies, where they have practically all the world to operate in, and the unpublished knowledge of many experienced men in this particular line of work to draw upon.

Whether this reply is scientifically sufficient I do not know, but it is obvious that it is not likely to satisfy the competitors of the Vacuum Oil Company, who regard all these novel scientific merits, which cannot be distinguished by any recognised chemical tests, as so much clever "advertising bunkum"—to use Mr. Paul Babcock's language about the Anglo-American Oil Company's orange-barrel advertisement.

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But it can hardly be doubted that tramway and other engineers find such papers as that read by Mr. Parish, jun., before their technical association a very useful argument in justifying their exclusive use of Vacuum lubricants.

Before I leave this subject I may note that *Fairplay*, the well-known shipping journal, has drawn attention to another aspect of this question, and that is how the Inland Revenue collects income-tax from this combination. As the Vacuum Company is a branch of the Standard it can buy its oils at a high price and sell them at cost, so that its books would show no profit assessable to income-tax. That profit, of course, would have really vanished into the balance-sheet of the Standard Oil Company of New Jersey. The same applies to the Anglo-American Oil Company, which, according to the evidence in the Missouri case, sells oil here on commission. The lower the commission the "Anglo" accepts from the Standard Oil Company of New Jersey, the lower its profits on its balance-sheet, and the less income-tax. But I advise Mr. Lloyd George to look after the "richest Baptist on earth." I fear that he is not paying his proper share towards the expenses of the country where he makes so many millions.

Such, then, is the evidence, summarised of course, which has accumulated in all parts of

Summary of the Indictment

the world against the Standard Oil Trust. In the examination of this evidence, which has now been completed, I claim to have established the following propositions:—

1. That the Standard Oil group have always aimed, not at fair competition, but at absolute monopoly.

2. That they secretly obtained from the United States railroads rebates on the carriage of their own oil, and even larger rebates on all the oil carried for their competitors—thus rendering it to the interest of the railroads to decrease the shipments of “independent” oil, by refusing to furnish adequate cars, and by delaying delivery.

3. That by means of these rebates they were able to undersell their competitors, and either to ruin them or force them to sell out at heavy loss.

4. That, whereas in 1870 they controlled nearly 10 per cent. of the American oil refining business, by means of these rebates they had secured in 1880 control of 90 per cent.

5. That when the petroleum well owners constructed pipe lines to pump their oil to the seaboard refineries, the Standard used vexatious litigation, and even open violence, to obstruct the work, and when it was completed bought up a majority of the stock.

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6. That although they were legally "common carriers," the Standard constantly refused to pipe oil for other refiners, and thus forced the well owners to sell their crude oil to them at their own price, as in practice the Standard had become the only buyer.

7. That an elaborate system of espionage has been established by which information is corruptly obtained from employees as to shipment of independent refiners' oil; and that the oil dealer who receives such oil is then undersold by Standard agents.

8. That in districts where the feeling against the malpractices of the Trust is strong, the Trust runs "bogus independent" oil companies and "anti-Trust" oil shops, and uses them to undersell the oil dealers who really attempt to sell non-Trust oil.

9. That although the rebates are not paid on all the railroads now, there existed as late as 1907—and probably still exist—widespread railroad discriminations giving the Standard advantages over other refiners.

10. That although the Standard constantly claims credit for improving the processes of manufacture and transport, most of the important inventions of the industry were invented by others. The main thing the Trust invented was the secret rebate.

Summary of the Indictment

11. That in regard to the Standard's claim to have reduced the price of illuminating oil to the consumer, the Hepburn Congressional Committee found that it had only done so when fresh supplies of petroleum had come on the world's markets, or in order to kill competition.

12. That Mr. Rockefeller and his associates have frequently made on oath before Congressional Committees and in judicial proceedings false statements about the Trust.

13. That the Standard Oil group has systematically adopted the methods of bribery (direct and indirect) in dealing with politicians and newspapers.

14. That in Great Britain it has successfully obtained official support for the maintenance of a dangerously low flash-point of illuminating oil, which enables it to dump here "export oil" that it is not allowed to sell in the majority of the American States.

15. That the Trust has been successfully prosecuted in the courts of its native land, and that in every country that it enters it is the enemy of legitimate commerce. It either ruins the dealers in its commodities, or reduces them to the position of "tied houses."

In fine, the Standard Oil Trust is the most unscrupulous, as well as the most ambitious and successful, combination of capitalists that

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the world has yet seen. The men it has ruined, the businesses it has wrecked, the little children it has roasted in its oil-fires—all these constitute a hideous record of death and destruction which not all the long prayers and the huge alms of John D. Rockefeller should ever induce the world to forget.

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